

His Worship the Mayor  
Councillors  
CITY OF MARION

## NOTICE OF FINANCE AND AUDIT COMMITTEE MEETING

Council Chamber, Council Administration Centre  
245 Sturt Road, Sturt

Tuesday, 25 February 2020 at 02:00 PM

The CEO hereby gives Notice pursuant to the provisions under Section 83 of the Local Government Act 1999 that a Finance and Audit Committee meeting will be held.

A copy of the Agenda for this meeting is attached in accordance with Section 83 of the Act.

Meetings of the Council are open to the public and interested members of this community are welcome to attend. Access to the Council Chamber is via the main entrance to the Administration Centre on Sturt Road, Sturt.



Adrian Skull  
Chief Executive Officer



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**OPEN MEETING****KAURNA ACKNOWLEDGEMENT**

We acknowledge the Kaurna people, the traditional custodians of this land and pay our respects to their elders past and present.

**ELECTED MEMBERS DECLARATION (if any)****CONFIRMATION OF MINUTES****Confirmation of the minutes for the Finance and Audit Committee Meeting held on 10 December 2019**

**Originating Officer** Governance Officer - Angela Porter

**Corporate Manager** Manager Corporate Governance - Kate McKenzie

**Report Reference:** FAC200225R01

**RECOMMENDATION:**

That the minutes arising from the Finance and Audit Committee Meeting held on 10 December 2019 be taken as read and confirmed.

**ATTACHMENTS:**

#	Attachment	Type
1	FAC191210 - Final Minutes	PDF File

**FAC191210 - FINANCE AND AUDIT COMMITTEE MEETING - 10 December 2019**

**Tuesday, 10 December 2019 at 09:30 AM**

**Council Administration Centre, 245 Sturt Road, Sturt**





## **IN ATTENDANCE**

**Mrs Emma Hinchey (Chair), Ms Natalie Johnston, Mr David Papa and Councillor Gard**

### **In Attendance**

Mr Adrian Skull	Chief Executive Officer
Ms Sorana Dinmore	General Manager, Corporate Services
Mr Tony Lines	General Manager City Services
Ms Illa Houridis	General Manager City Development
Mr Ray Barnwell	Manager Finance
Ms Kate McKenzie	Manager Corporate Governance
Ms Cass Gannon	Innovation Leader
Ms Sherie Walzcak	Unit Manager Risk
Mr Jamie Dunicliff	Strategic Procurement Lead
Mr Mark Booth	Southern Region Waste Resource Authority (SRWRA)
Mr Chris Adams	Southern Region Waste Resource Authority (SRWRA)

## **OPEN MEETING**

The Mayor opened the meeting at 09:30 AM

## **KAURNA ACKNOWLEDGEMENT**

We acknowledge the Kaurna people, the traditional custodians of this land and pay our respects to their elders past and present.

## **ELECTED MEMBERS DECLARATION (if any)**

Nil

## **CONFIRMATION OF MINUTES**

**Confirmation of the minutes for the Finance and Audit Committee Meeting held on 8 October 2019**  
**Report Reference: FAC191210R01**

**Moved Ms Johnston, Seconded Councillor Gard**

That the minutes arising from the Finance and Audit Committee Meeting held on 8 October 2019 be taken as read and confirmed.

**Carried Unanimously**

## **BUSINESS ARISING**

### **9.34 am Business Arising Statement Report Reference: FAC191210R02**

The Committee noted the Business Arising Statement and the actions completed

## **CONFIDENTIAL ITEMS**

### **9.34 am Cover Report – Southern Region Waste Resource Authority (SRWRA) Materials Recovery Facility (MRF) Report Reference: FAC191210F01**

#### **Moved Councillor Gard, Seconded Ms Johntson**

That pursuant to Section 90(2) 3(d) (i) and (ii) of the *Local Government Act 1999*, the Committee orders that all persons present, with the exception of the following persons: Adrian Skull, Tony Lines, Ilia Houridis, Sorana Dinmore, Kate McKenzie, Ray Barnwell, Mark Booth (SRWRA Chair) and Chris Adams (SRWRA CEO) be excluded from the meeting as the Committee receives and considers information relating to SRWRA Materials Recovery Facility (MRF), upon the basis that the Committee is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information relates to commercial information, the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party and would on balance be contrary to the public interest.

**Carried Unanimously**

9.35 am the meeting went into confidence

Mr Chris Adams and Mr Mark Booth from Southern Region Waste Authority entered the meeting.

#### **Moved Mr Papa, Seconded Gard that the Finance and Audit Committee:**

1. In accordance with Section 91(7) and (9) of the Local Government Act 1999, orders that this report, attachments and minutes having been considered in confidence under Section 90 (2) and (3)(d) (i) and (ii) of the Act, except when required to effect or comply with Council's resolution(s) regarding this matter, be kept confidential and not available for public inspection for a period of 12 months from the date of this meeting. This confidentiality order will be reviewed at the General Council Meeting in December 2020.

**Carried Unanimously**

10.40 am The meeting came out of confidence

#### **Adjournment**

**10.40 am - the meeting was adjourned**

**10.45 am – the meeting resumed**

## REPORTS FOR DISCUSSION

### Elected Member Report

#### Report Reference: FAC191210R01

The Committee noted the report. Councillor Gard indicated that the Cove Cobra Football Club (CCFC) matter had been challenging and required substantial organisational resources to manage. He also indicated that the matter had impacted the Council's reputation and trust with the community. This was evident through questions about the Soccer in the South Project at Majors Road at O'Halloran Hill.

The Committee noted that Council had funded the Soccer in the South project (predominately from cash reserves) and a Section 48 Prudential Report was scheduled for the Committee in February 2020. The Committee requested that the Prudential Report address the full financial impact to Council and how this will relate to the budget / Long Term Financial Plan (LTFP).

The Committee queried the financial implications of the Coastal Walkway noting that Council was seeking \$2.4m in grant funding for a 50/50 contribution. The Committee noted that \$1m has previously been included in the LTFP however Council had committed \$2.4m.

The Committee noted the impact of new projects from cash reserves and encouraged Council to ensure that these are reflected through budgets and resource impact as part of its planning process for 2020/21.

### 10.54 am Cross Council Service Review - Report - Utilities Management

#### Report Reference: FAC191210R03

The Strategic Procurement Lead (shared resource between Charles Sturt and Marion) provided an overview of the Utilities Optimisation Report and highlighted that this is a collaborative approach to managing utilities across three Councils (Marion, Charles Sturt and Port Adelaide Enfield). Two (2) new positions have been created to improve process, create efficiency and develop strategic initiatives across the three (3) Councils in managing utilities consumption.

It was noted that outsourcing these functions was considered and it was determined that an in-house option was more cost effective. The Committee queried the governance arrangements for these positions noting that a Memorandum of Understanding (MOU) has been signed with Key Performance Indicators and sub-documentation (ie project scope) on each defined project. The Committee queried who is liable for any industrial relations risks and was advised that the liability is shared across the Council's depending on the position.

The Committee was advised that the costs have been attributed proportionately (1/3 each) however the savings and efficiency may not be fair and equitable across the Councils as the saving may not be proportionate.

The Committee noted that the new roles will have a better understanding of the detail and what is being charged to ensure the accuracy of the billing.

**Action: The Committee requested that further information on the industrial relations risks for the shared employment resources will be provided at the next meeting via the business arising statement.**

### **11.11 am Finance and Audit Committee Work Program and Meeting Schedule for 2020** **Report Reference: FAC191210R04**

The Committee agreed to the meeting schedule and works program however requested that the Risk Reporting be undertaken quarterly.

#### **Moved Councillor Gard, Seconded Mr Papa.**

That the Finance and Audit Committee:

1. Notes the proposed work program for 2020 identified at Appendix 1 to the report and includes quarterly risk reporting as part of the work program.
2. Adopts the following schedule of meetings for 2020:
  - Tuesday 25 February 2020 (2 - 5 pm)
  - Tuesday, 19 May 2020 (2 - 5 pm)
  - Tuesday 18 August 2020 (4 pm to 6 pm plus followed by joint workshop with Council from 6.30 pm onwards)
  - Tuesday, 13 October 2020 (2 - 5 pm)
  - Tuesday, 8 December 2020 (2 - 5 pm)

**Carried Unanimously**

### **11.20 am Risk Management Framework and Policy Review** **Report Reference: FAC191210R05**

The Unit Manager Risk entered the meeting and provided an overview of the report noting that a full review had been completed to incorporate the new changes from the ISO 31000 2018 Risk Management Standards. The main amendments included the new risk appetite statement (which had been developed in consultation with Elected Members) and opportunities management.

The Committee noted the work completed and made the following considerations:

- The Policy looks good and no recommended changes. This can be presented to Council for adoption.
- The Framework requires some refinement with the follow to be considered:
  - The extreme/high risks within the matrix requires better guidance regarding reporting and timelines
  - The process and wording around inherent risks requires clarity
  - Ensure that all actions have timelines assigned
  - The Risk Treatment doesn't reflect the Risk Appetite Statement and the wording needs amending
  - The Risk Evaluation requires rewording and may be in the wrong section of the framework
  - The Framework doesn't reflect changes in the severity of the consequence. Mitigation strategies will impact on the consequences ratings.
  - Diagram 6 is missing a word (level). Needs to be added in.
  - The severity of a risk should be reflected in the reporting requirements. For example, anything with an extreme risk rating should have specific reporting requirements.
  - All sections of the Framework are there but the document could flow better and should be benchmarked against similar Councils (example Port Phillip)

The Committee agreed to circulate the revised framework out of session and once finalized, the Committee agreed to forward to Council for adoption.

**Action: that the Risk Management Framework be refined and circulated to the Committee prior to being reported to Council.**

### **11.35am Framework and Key Assumptions for the preparation of the 2020/21 ABP and LTFP Report Reference: FAC191210R06**

The Manager Finance provided an overview of the report noting that staff are working on a high level draft budget to be presented to Elected Members in January 2020. This draft budget will include high level assumptions as presented within the report.

The Committee noted the cash reserves which has built up over recent years. Approximately \$20m will be allocated to major projects in 20/21.

The Committee noted that the Asset Renewal Ratio and queried if Council had provided adequate contingencies for Asset Renewal? It was noted that the projected ratio will drop to 75% and the Committee suggested that this may need to be higher. Council should consider if they need to invest more for asset renewal.

Councillor Gard raised the issue of intergenerational expenditure and again raised the issue that he believes the Council is 'under borrowed'. Councillor Gard debated the pressure of rate rises on the community and highlighted section 8 of the Local Government Act that states the Council is required to ensure the sustainability of the council's long-term financial performance and position.

The Committee noted Council had undertaken preliminary discussions about rate rises indicating that Councils intention was to continue to decrease rates (were possible). Council was exploring the options of a 1.6% rate increase for 20/21 and this reducing down to 1% over the coming years. The Committee highlighted that the decrease in rates is a good strategy, however Council needs to ensure the financial sustainability over the long term plan and ensure that the community doesn't experience, peaks and troughs.

The Committee noted that further work is required on the ratios and there is no contingency for extra projects.

The Committee noted the environmental scan and in particular the health issues facing the City of Marion community and suggested that this should be reviewed as part of the emerging risks. Council may wish to consider what mitigation strategies can be implemented and any budget implications.

### **11.55 am Service Review Program and Recommendations - Progress Update Report Reference: FAC191210R08**

The Committee noted the report and the progress made on implementation of recommendations.

### **11.56 am Internal Audit Program 2019/20 scoping documents Report Reference: FAC191210R09**

The Committee noted the scopes for Payroll and IT Governance indicating that they had no specific comments and were happy to endorse the scopes for these two reviews.

The Committee noted the following comments on the Metrix that Matter project:

- The 'Metrics that Matter' Project isn't up and running yet. There is some risk with an audit being

undertaken on a project that isn't implemented yet. It was noted that stage 1 is complete and the purpose was to review any learning from stage 1 and apply to stage 2.

- The scope is very generic and feels that there would be value in amending the scope to be clear on objectives and output.
- The audit scope reflects an element of service review / consulting piece. The scope should reflect what the review will deliver.
- The Council is keen to understand who is doing this well within the sector and from other sectors.
- Ensure that insights of Toni Jones is captured and reflected adequately within the report.
- Ensure that the approach to this review is agile and adding value.

The Committee agreed that the scope will be revised and circulated out of session.

**Action: revise the scope with KPMG and circulate to Committee members**

## **REPORTS FOR NOTING**

### **12.08 pm Ombudsman Report 2018/19**

**Report Reference: FAC191210R10**

The Committee noted the report and indicated that the results are similar to last year. It was noted that Marion is performing well against the industry benchmark.

### **12.15 pm Climate Risk and Governance Assessment**

**Report Reference: FAC191210R11**

The Environmental Sustainability Manager entered the meeting and provided an overview of the report. The Committee congratulated the organisation on an excellent result on the Climate Governance Assessment noting the City of Marion was recognized as leading the way.

It was noted that the risk disclosure (transparent reporting to Council) was seen as best practice.

It was noted that Council had considered the collective risks/gaps and was working with the sector as a whole.

The Committee supported the approach and the followings actions (subject to any required endorsement from Council):

- Inclusion of climate change risk in Asset Management Plans as they are reviewed and updated;
- Review of the Climate Change Policy to include consideration of an emissions reduction target for Council;
- Greater recognition of climate change in Council's emergency management planning documents, systems and processes;
- Advocacy to the South Australian Government for greater recognition of climate change in planning policy.

**Internal Audit Program - Implementation of Recommendations**  
**Report Reference: FAC191210R12**

The Committee noted the progress made on the implementation of recommendations. It was noted that some items had been closed out and included within the scope of the Digital Transformation Project. The Committee also recommended that the process improvement (PO) items be removed from the list if no action was required.

**WORKSHOP / PRESENTATION ITEMS - Nil**

**OTHER BUSINESS - Nil**

**MEETING CLOSURE**

**MEETING CLOSURE** - Meeting Declared Closed at 12:30 PM

**CONFIRMED THIS 25 DAY OF FEBRUARY 2020**

.....

**CHAIRPERSON**

## BUSINESS ARISING

### Business Arising Statement

<b>Originating Officer</b>	Manager Corporate Governance - Kate McKenzie
<b>Corporate Manager</b>	Manager Corporate Governance - Kate McKenzie
<b>General Manager</b>	General Manager Corporate Services - Sorana Dinmore
<b>Report Reference</b>	FAC200225R02

### REPORT OBJECTIVE

The purpose of this report is to Review the Business Arising from previous meetings of the Finance and Audit Committee Meetings.

### RECOMMENDATION

**That the Finance and Audit Committee:**

- Note the report.**

### Attachment

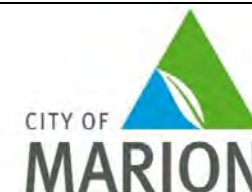
#	Attachment	Type
1	Business arising statement	PDF File



## CITY OF MARION

## BUSINESS ARISING FROM FINANCE AND AUDIT COMMITTEE MEETINGS

AS AT 20 February 2020



	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
1.	10 December 2019	<b>Cross Council Service Review</b> The Committee requested that further information on the industrial relations risks for the shared employment resources will be provided at the next meeting via the business arising statement.	S Roberts	February 2020	The HR Managers of cities of Marion, Charles Sturt and Port Adelaide Enfield have developed a draft 'secondment management roles and responsibilities' document, outlining the industrial considerations and applicable processes required for sharing human resources across the three Councils.  This will be discussed with the 3 HR teams at a x-Council collaboration meeting. Once finalised, this document can be provided to the FAC.	February 2020
2.	10 December 2019	<b>Risk Management Framework and Policy</b> That the Risk Management Framework be refined and circulated to the Committee prior to being reported to Council.	S Walzcak	February 2020	The Risk Management Framework was circulated to FAC Members with the inclusion of their feedback. The final Policy and Framework is being presented to Council for consideration and adoption on the 25 <sup>th</sup> February 2020 General Council Meeting	February 2020
3.	10 December 2019	<b>Internal Audit Scopes</b> Revise the scope for 'Metrix that Matter' with KPMG and circulate to Committee members	K McKenzie F Harvey	February 2020	The revised scope has now been circulated to FAC Members and preparation	February 2020

\* Completed items to be removed are shaded

<b>SCHEDULE OF MEETINGS 2020</b>			
<b>Day</b>	<b>Date</b>	<b>Time</b>	<b>Venue</b>
Tuesday	25 February 2020	2 pm – 5pm	Administration Centre
Tuesday	19 May 2020	2 pm – 5pm	Administration Centre
Tuesday	18 August 2020	4.00 – 6.00 pm Followed by 7.00 – 9.00 pm (Joint workshop with Council)	Administration Centre
Tuesday	13 October 2020	2 pm – 5pm	Administration Centre
Tuesday	8 December 2020	2 pm – 5pm	Administration Centre

**INDICATIVE AUDIT COMMITTEE WORK PROGRAM - 2019**  
**TUESDAY, 25 February 2020**

<b>Topic</b>	<b>Action</b>
Elected Member Report	Communication Report
Draft Annual Business Plan and Budget 2020/21 and Draft Long Term Financial Plan	Review and Feedback
Overdue Rates Debtors	Review and Feedback
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Section 48 Prudential Report – Soccer in the South	Recommendation to Council
Q2 Risk Reporting	Review and Feedback

**TUESDAY, 19 May 2020**

<b>Topic</b>	<b>Action</b>
Elected Member Report	Communication Report
Draft Annual Business Plan and Budget 2020/21 (after public consultation) & Draft Long Term Financial Plan	Review and Feedback
External Audit Engagement Letter for the year ending June 2020	Review and Feedback
Internal Audit Program – Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Annual Report on Business Continuity	Review and Feedback
Annual Corporate Risk Profile	Review and Feedback
Q3 Risk Reporting	Review and Feedback

**TUESDAY, 18 August 2020 (Joint Workshop with Council)**

<b>Topic</b>	<b>Action</b>
Elected Member Report	Communication Report
Meeting with Internal auditors in camera	Seeking feedback from Auditors
Annual Review of HSE Program	Review and Feedback
Annual Insurance and Claims	
Asset Valuations	Review and Feedback
Review Internal Audit Plan for 2020/21	Review and Feedback
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Q4 Risk Reporting	Review and Feedback
Service Review Program – Scopes, Reviews and Monitoring	Review and Feedback
Joint Workshop with Council (6.30pm onwards)	TBA

**TUESDAY, 13 October 2020**

<b>Topic</b>	<b>Action</b>
Elected Member Report	Communication Report
FAC Annual Report to Council 2019/20	Review and Recommendation to Council
Independence of Council's Auditor for the year end 30 June 2020	Review and Recommendation to Council
Audited Annual Financial Statements for the year end 30 June 2020	Review and Recommendation to Council
Investment Performance 2019/20	Noting
Debtors Report	Noting
Meeting with external auditors in camera	Seeking feedback from Auditors
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Q1 Risk Reporting	Review and Feedback
Fraud and Corruption Annual Review	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback

**Tuesday, 8 December 2020**

<b>Topic</b>	<b>Action</b>
Elected Member Report	Communication Report
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Work Program and Meeting Schedule 2021	Review and Feedback
Ombudsman SA Annual Report 2019/20	Review and Feedback
Framework and Key Assumptions for preparation of 2021/22 ABP and LTTP	Review and Feedback

**CONFIDENTIAL ITEMS****Cover Report - Disclosure Incident**

<b>Originating Officer</b>	Manager Corporate Governance - Kate McKenzie
<b>Corporate Manager</b>	Manager Corporate Governance - Kate McKenzie
<b>General Manager</b>	General Manager Corporate Services - Sorana Dinmore
<b>Report Reference</b>	FAC200225F01

**RECOMMENDATION**

**That Pursuant to Section 90(2) and (3)(h) of the Local Government Act 1999, the Finance and Audit Committee orders that all persons present, with the exception of the following persons: Adrian Skull, Sorana Dinmore, Tony Lines, Ilia Houridis, Kate McKenzie, Phil Mattingly, Akos Szonyi and Jaimie Thwaites, be excluded from the meeting as the Committee receives and considers legal advice relating to a 'disclosure incident' upon the basis that the Committee is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential.**

**Disclosure Incident****CONFIDENTIAL****Reason For Passing This Resolution:**

**Local Government Act (SA) 1999 S 90 (2) 3(h):** legal advice.

## REPORTS FOR DISCUSSION

### Elected Member Report

<b>Originating Officer</b>	Manager Corporate Governance - Kate McKenzie
<b>Corporate Manager</b>	Manager Corporate Governance - Kate McKenzie
<b>General Manager</b>	General Manager Corporate Services - Sorana Dinmore
<b>Report Reference</b>	FAC200225R03

### REPORT OBJECTIVE

Section 3.5 of the Finance and Audit Committee Terms of Reference states "*where the Council makes a decision relevant to the Finance and Audit Committees Terms of Reference, the Elected Member Representative will report the decision to the Audit Committee at the next Committee meeting and provide relevant context*".

### RECOMMENDATION

**That the Finance and Audit Committee notes this report.**

### GENERAL ANALYSIS

Since the last FAC meeting, Council has met three (3) times. At three (3) meetings, the Council made the following decisions that relate to the Finance and Audit Committee Terms of Reference in chronological order:

### DISCUSSION

#### **10 December 2019 - General Council Meeting**

##### **Edwardstown Soldiers Memorial Community Club (Confidential Item)**

This item was considered in confidence however the following media release was issued in January 2020.

*"Marion Council has terminated the lease of the Edwardstown Soldiers' Memorial Community Club Board and will take over the management of the facility from Monday, 3 February. However, it will be business as usual for the five sports clubs and other users that will continue to use the complex. Council has taken the step after a review of the Board's financial records and found it was trading insolvent. The ESMCC was formally notified on Monday, 20 January. It has debts of more than \$60,000. General Manager City Development Iliia Houridis said Council decided to take over the running of the facility to protect ratepayers' money and to secure the future of the complex. "Council acted swiftly. We took over the running of the club once we became aware that the Board was in financial difficulty," Mr Houridis said. "The Board has been served a termination notice so they will no longer run the facility.*

*"Marion Council will manage the site while we explore future management options." Mr Houridis said the change can occur without disrupting the day-to-day operations of the five sporting clubs and other users. "Sporting fixtures, training, venue hire and other activities can continue as normal," Mr Houridis said. A Board comprising members of the community and the clubs was set up in January last year with the support of Council to manage the club. On 10 December 2019, Council received a confidential report expressing concern about the ESMCC's financial position.*

*Council resolved to give the ESMCC 10 days to produce their financial records. If they were found to be trading insolvent or the records could not be produced, Council would terminate the lease and take over management of the facility within a further 10 days. The facility manager will report directly to the City of Marion. Council owns the Edwardstown Soldiers' Memorial Recreation Grounds and has a lease with the Edwardstown Soldiers' Memorial Community Club Board. The clubs that use the site are: Edwardstown Bowling Club, Edwardstown Football Club, South Road Cricket Club, Meteors Triathlon Club, and South Coast Cycling Inc."*

### **SRWRA Materials Recovery Facility (MRF)**

This matter was also considered by the FAC on the 10th December. Council considered the item and resolved the following:

That Council:

1. receives the Materials Recovery Facility Prudential Report prepared for the SRWRA by UHY Haines Norton dated December 2019 (Attachment B).
2. approves the SRWRA request to borrow up to \$8.0 million from the Local Government Finance Authority if the SRWRA Board consider it necessary and prudent to do so.
3. notes that the level of borrowings noted in resolution 2 will be reduced through the SRWRA continuing to seek
  - a. State and Federal funding
  - b. Additional Council or Waste authority customers
  - c. Opportunities to partner with private enterprises for capital investment and / or operation of the MRF.
4. approves the SRWRA incurring capital expenditure of up to \$17.523 million (including 10% contingency) for the building and implementing of a Materials Recovery Facility.
5. resolves to commit all of its commingled domestic recyclables to be processed at the SRWRA MRF.
6. notes that the gate fee for SRWRA to receive and process Council's commingled domestic recyclables is modelled at \$75 per tonne and will be subject to contract clauses relating to:
  - a. Contamination rates of recyclables
  - b. Commodity market rise and fall

### **28 January 2020 - General Council Meeting**

#### **Corporate Risk Quarterly Report**

Council considered and noted the quarter 2 risk report, including the mitigation strategies associated with the high risks.

### **11 February - General Council Meeting**

#### **Edwardstown Soldiers Memorial Community Club (Confidential Item)**

This item was considered in confidence, however the minutes were released. Council resolved the following:

- Authorises staff to undertake investigations regarding alternate management models for the facility into the future.
- Authorises staff to issue licenses to the 5 affiliated clubs of the ESMRG.
- Notes that a further report detailing amended changes to the ESMRG financial model for endorsement and implementation will be provided to General Council on 10 March 2020.
- Seeks an independent financial audit to be undertaken to validate the findings of Council report.





## SWBMX Facility - Prudential Report

<b>Originating Officer</b>	Project Manager Strategic Projects - Carla Zub
<b>Corporate Manager</b>	Manager City Activation - Greg Salmon
<b>General Manager</b>	General Manager City Development - Ilia Houridis
<b>Report Reference</b>	FAC200225R04

### REPORT OBJECTIVE

To provide a draft Section 48 Prudential Report for the development of a Union Cycliste Internationale (UCI) BMX Facility to the Finance and Audit Committee (the Committee) for review.

### EXECUTIVE SUMMARY

Since the State Government's funding announcement in 2016 for the delivery of a BMX Facility in Southern Adelaide, the City of Marion (CoM) has diligently worked to identify a suitable location for an international facility. Extensive site analysis has concluded that the preferred site is Majors Road, O'Halloran Hill. With budget and site issues now resolved, a Prudential Report has been prepared to enable the project to proceed to design and delivery.

The Prudential Report has been prepared in accordance with the Section 48 of the Local Government Act 1999, which requires Council to consider a report addressing a number of prudential issues prior to commencing a major project where the expected capital cost is likely to exceed \$4 million over the ensuring 5 years.

This review of the Section 48 Report by the Committee will contribute to the process of evaluating the UCI BMX Facility project against the requirements of the Act.

The State Government and the Cities of Marion and Onkaparinga have committed funding towards the development for the UCI BMX facility, which is to be located on Majors Road, O'Halloran Hill. The vision for the facility is to provide a BMX track for the existing competition and training needs of The Cove BMX Club and Happy Valley BMX Club and other state and regional communities. The high-level facility will have the capacity to host national and international competitions and training at the UCI standard.

This draft Section 48 report examines the project's compatibility with relevant strategic plans and: potential impact on the local economy;

- consultation that has been undertaken with the Clubs and surrounding community;
- financial implications, viability and sustainability of the project in the short and long term; and
- potential risks arising from the project and the proposed strategies to manage those risks.

Advice is sought from the Committee on the draft Section 48 Prudential Report and the steps being taken to date to deliver the Sam Willoughby BMX Track prior to the report being referred to Council on 10 March 2020.

### RECOMMENDATION

**That the Finance and Audit Committee:**

1. **Provides feedback as to whether the Section 48 Prudential Report addresses requirements under the *Local Government Act 1999*.**
2. **Endorses the draft Section 48 Prudential Report with any supporting advice or commentary for consideration and approval by General Council.**

## GENERAL ANALYSIS

### BACKGROUND

In June 2016, the State Government committed funding for the development of a UCI BMX facility in Southern Adelaide. The facility was named the Sam Willoughby International BMX Track (SWBMX) by the former Minister for Recreation and Sport. The SWBMX is being project managed and delivered by the City of Marion (CoM) with the strong and committed support and involvement of the Office for Recreation, Sport and Racing (ORSR), the City of Onkaparinga (CoO) and the Department for Environment and Water (DEW).

The initial project funding comprised of \$2,000,000 from State Government through the Office of Recreation, Sport and Racing (ORSR), \$750,000 from the City of Onkaparinga and \$750,000 from the City of Marion creating a project funding pool of \$3,500,000. The State Government has since committed a further \$1,300,000 to the development, conditional on the track being delivered on State Government owned land.

At a Special Council Meeting of 12 July 2016, Council resolved, amongst other matters regarding BMX – Deed for Funding (SGC120716R03) that Council:

*“Note a prudential management review for the project detailing the capital cost, whole of life costs and ongoing management roles and responsibilities will be developed for Council’s consideration.”*

At the Finance and Audit Committee (FAC) meeting on 12 December 2017, the Committee considered the draft Prudential Report to provide feedback about the project. At that time, the project was over budget and alternative sites were being considered.

Administration has since explored various site options, including:

1. Majors Road in the O’Halloran Hill Recreation Park,
2. Southern Sporting Facility in Noarlunga (City of Onkaparinga) and
3. Corner of South and Marion Roads, Bedford Park (known as Darlington).

The site on the corner of South and Marion Roads, Bedford Park was identified as an option and is owned by the City of Marion. This site was discounted due to its cultural sensitivity, whilst, the Southern Sporting Facility was not supported by CoO as a location for the new facility. As such, Council committed to investing an additional \$1,000,000 to increase the project’s overall budget to \$5,800,000 and enable the project to be delivered on Majors Road. The additional funding was conditional on a resolution with the State Government to provide access to the site, which has since been agreed between Council and the Department for Planning, Transport and Infrastructure (DPTI).

### DISCUSSION

The UCI BMX Facility will include the following elements:

- UCI standard BMX track;
- Event facilities (timing equipment, starting hills and gates) and the capacity for additional facilities to be brought in (‘bumped in’) for larger scale events
- Modest clubroom facilities and toilets
- Car parking area
- Landscaping and site entry treatment and signage
- Modification to Majors Road to allow safe access to and from the BMX site

Council’s contribution of \$1,750,000 towards the project has been funded through Council’s 2019/20 Annual Budget.

The UCI BMX Facility planning, design and construction has been estimated by Rider Levett Bucknall at a cost of \$5,974,000. Whilst this is 2.99% over the project budget, through detailed design, this budget overrun can be managed and enables the project to proceed to tenders for construction to test the market conditions.

The CoM is the contracting party for all consultants and, subject to Council approval to proceed to detailed design and construction, the CoM will also be the contracting party for engaging the contractor to build the SWBMX.

Council's administration has worked with BMX Specialist, Dirtz, to review the ongoing operation of the facility and assessed that an allowance of an additional \$176,000 (plus any indexation) per annum to cover the increased operational, maintenance and capital renewal costs. This may be offset by any contributions by the clubs through the lease arrangement and the CoO's annual funding contribution. The State Government has confirmed that it will not contribute towards the annual operating costs associated with the facility.

The proposed site of the SWBMX facility is owned by DEW who have undertaken to prepare a lease in favour of the City of Marion to enable the development to proceed.

The Prudential report has been prepared to demonstrate good governance and prudential management practice and to ensure transparency in Council's activities and specific responsibilities, benefits and risks and whole of life costs associated with the UCI BMX project. The report addresses these prudential issues in detail relating to the proposed Council contribution of \$1,750,000 capital expenditure as well as the required ongoing contribution of operational, maintenance and renewal expenditure.

## **DRAFT SECTION 48 PRUDENTIAL MANAGEMENT REPORT**

Section 48 of the *Local Government Act 1999* (the 'Act') requires Council to consider a report for any project where the expected capital cost is likely to exceed \$4,000,000 over the ensuing 5 years and addresses a number of key prudential issues. The report is attached for review and feedback from Council's Finance and Audit Committee. In particular feedback is sought on the financial viability and sustainability of the project.

### **Review of the relationship between the project and the relevant strategic management plans**

Section 2 of the Section 48 Report discusses the relationship between the project and the relevant strategic management plans.

### **Review of the Development Plan in the area**

Section 3 of the Section 48 Report discusses the Development Plan in the area.

The SWBMX has not yet received Development Approval under the Marion Council Development Plan. The site is located within the Hills Face Zone and an application will be lodged seeking approval once the final scope of the project is determined. DEW, as custodian of the land, will provide a letter of support for the development.

### **Review of the expected contribution of the project to economic development**

Section 4 of the Section 48 Report discusses the expected contribution of the project to economic development.

The Project will also advance the economic development in the Marion area, and more broadly in Southern Adelaide, and provide wider economic impacts for the economy, delivering tangible economic benefits to the community.

It should be noted that project is estimated to generate an economic impact of \$19.7 million and create 39 jobs during construction and 15 ongoing jobs in the CoM. Following completion of construction, the impact of the new facility is expected to have a positive impact on local businesses. This is due to the increased number of visitors to the CoM particularly during larger scale events such as State and Nationals.

### **Review of the level of consultation with the local community**

Section 5 of the Section 48 Report discusses the review of the level of consultation with the local community.

The Project has been the subject of extensive involvement, consultation and commitment of The Cove BMX Club, Happy Valley BMX Club, BMX Australia (BMX A) and BMX South Australia (BMX SA). Consultation for the project has been undertaken consistent with the CoM Community Consultation Policy.

As the project location is within the O'Halloran Hill Recreation Park and the greater area of Glenthorne Park, the Department of Environment and Water has been a member on the project control group. This has enabled the project scope to be developed to achieve the sustainability and environment targets sought by the department. The Glenthorne Partners has also been briefed on the project.

### **Review of the Financial Assessment**

Section 6 of the Section 48 Report discusses the business needs analysis, the project's intention to produce revenue, revenue projections and potential financial risks. It also considers the recurrent and whole of life costs and financial viability.

Given that the project will benefit clubs originating from both the City of Marion and the City of Onkaparinga, consideration of net benefit has been assessed in terms of the benefit to Southern Adelaide from the combined contributions of the two councils. These contributions comprise capital contributions of \$1,750,000 from the City of Marion and \$750,000 from the City of Onkaparinga with an ongoing contribution to operating, maintenance and renewal costs of 50% per annum, which for the purpose of this report is fully attributed to the proposed lease holder, the City of Marion.

The 2019-2029 Long Term Financial Plan (LTFP) includes provision for the estimated costs of the SWBMX project. The Prudential Report has determined that the CoM has the existing financial resources and capacity to fund its share of the ongoing operations.

### **Review of risk management**

A risk register has been prepared on the project. Strategies have been identified to mitigate or manage the risks identified. Risks will be actively managed throughout the project and will be formally reviewed by the Project Control Group on a monthly basis.

The risk assessment demonstrates that the project's inherent risks are within expected limits of a project of this scale. The City of Marion has outlined appropriate mitigation strategies to lower the inherent risks and these are detailed in the risk register. Section 7 of the Section 48 Report discusses project risk.

A significant risk is the conditions relating to the funding commitments of the other partners. In particular the current ORSR contribution is for construction costs only, with priority for the UCI compliant track component. In addition the City of Onkaparinga contribution is conditional on the Happy Valley Club formally agreeing to vacate its existing site and to move to the new facility which is yet to occur.

A longer term but significant risk remains the resolution of ongoing operational responsibilities since the new facility will require new partnerships to be formed by the existing clubs (operated by volunteers) and the sport's peak bodies. This not only applies to the normal operation of the facility for Club events but also the event management, revenue distribution and underwriting arrangements that would apply to major national and international events that may be attracted to the UCI standard facility. It should be noted that this report assumes there will be no financial impact from such events on the City of Marion.

### **Review of the appropriate mechanisms and arrangements for carrying out the project**

Section 8 of the Section 48 Report discusses the appropriate mechanisms and arrangements for carrying out the project.

### **CONCLUSION**

The draft Section 48 Report demonstrates that the City of Marion has capacity to deliver the UCI BMX facility on Majors Road, O'Halloran Hill with the key management strategies for the future operation of the facility.

Risks for the project have been identified and strategies to mitigate, or minimise, those risks have been developed.

Feedback and comments are sought from the Finance and Audit Committee on the Prudential Report which will be considered at the General Council meeting on 10 March 2020.

### **Attachment**

#	Attachment	Type
1	BMX Section 48 Prudential Report	PDF File



City of Marion

Section 48 Prudential Report

Sam Willoughby International  
BMX Track

January 2019  
FINAL REPORT



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## EXECUTIVE SUMMARY

### Purpose

The following report has been prepared in accordance with the requirements of the City of Marion Prudential Management Policy and Section 48 of the Local Government Act 1999 which requires a Council to consider a report addressing the prudential issues set out in Section 48 subsection 2 of the Act before engaging in a major project. The purpose of a Prudential Report is to ensure the Elected Members have the necessary information to enable an informed decision whether or not to proceed with a project.

### The Project

The State Government, the City of Marion (CoM) and City of Onkaparinga (CoO) have announced funding for a Union Cycliste International (UCI) grade BMX facility, which is proposed to be located **on Majors Road in O'Halloran Hill. The facility is intended to provide for the existing competition** needs of The Cove BMX Club and Happy Valley BMX Club (BMX Clubs) and other state and regional communities. The proposal is to develop a high-level venue that has the capability to host national and international competitions, at the UCI standard.

The capital cost of the Project is estimated to be \$6.0 million, which includes major road works of \$0.3 million. Annual operating costs of \$40,000 (indexed and excluding capital renewal of \$175,900) are estimated per annum. The facility will be co-funded by the State Government, City of Marion, City of Onkaparinga and the BMX clubs.

### Prudential Review Issues and Findings

In our view, the CoM has acted with due care, diligence and foresight in planning the Project and, to date, Council has been provided with sufficient **information to satisfy the requirements of Council's** Prudential Management Policy and Section 48 of the Local Government Act. We specifically note the following:

- **There is strong alignment between CoM's key strategic planning documents and the Project is** specifically identified within these as a key project to progress.
- **Development approval for the proposed O'Halloran Hill site will be required before construction** commences. The Majors Road site falls within the Adelaide Hills Face Zone, however we do not believe that the proposed design contravenes the intentions of the Hills Face Zone restrictions.
- The economic impact analysis conducted has identified that there would be economic benefits arising from the construction and operation of the BMX facility that would outweigh the upfront capital investment costs and the ongoing operational costs. An agreement will be established to **formalise the CoO Council's resolution to** fund 50% of operating costs, excluding capital renewal and depreciation costs. A lease agreement with the managing entity will need to be prepared.
- Community consultation has commenced with key stakeholders, and with persons and communities located within the proximity to the proposed location. Among the persons and communities consulted there is support for the Project.
- There is a \$0.2 million funding shortfall (3% of the Project) which will need to be managed through the development phase. The whole-of-life costing shows that the facility can be operated and maintained **within the CoM's current operating surplus, as identified in the CoM** Long Term Financial Plan 2019-2029.
- A risk register has been compiled with mitigating actions identified to reduce the risk rating of **all but one risk to a 'Medium' rating. The highest risk** with the proposed Project is the injury to inexperienced riders on the five and eight-metre ramps. This risk can be managed through perimeter fencing, signage, supervision and an appropriate level of insurance.



## 1. INTRODUCTION

### 1.1 Background

- 1.1.1 The City of Marion (CoM) provides sport and recreation facilities that support an active and connected community. There is a need to ensure that the large number of sport and recreation facilities are planned to respond to the future needs of the community.
- 1.1.2 In 2015, Council resolved to investigate opportunities for the development and **funding of a BMX track in Adelaide's South**. Since that time, Council has engaged with the Hallett Cove BMX Club, Happy Valley BMX Club, BMX Australia and BMX SA.
- 1.1.3 The State Government Office of Recreation, Sport and Racing (ORSR), the CoM, the City of Onkaparinga (CoO) and BMX SA have since funded a feasibility study to investigate the development of high-level, UCI-compliant (Union Cycliste Internationale) competition and training venue for BMX in South Australia. The study considered a range of matters, including:
  - 1.1.3.1 Desired project outcomes;
  - 1.1.3.2 Project requirements;
  - 1.1.3.3 Strategic context;
  - 1.1.3.4 Demographic analysis;
  - 1.1.3.5 Trend and participation analysis;
  - 1.1.3.6 Supply and demand;
  - 1.1.3.7 Benefits of BMX;
  - 1.1.3.8 Key issues and opportunities;
  - 1.1.3.9 State facility planning;
  - 1.1.3.10 Benchmarks;
  - 1.1.3.11 Functional requirements;
  - 1.1.3.12 Site options analysis; and
  - 1.1.3.13 Initial concept design.
- 1.1.4 The feasibility study indicated that there is demand for a UCI-standard BMX track in metropolitan Adelaide that that it would be a benefit to the Community and the State.
- 1.1.5 In June 2016, the State Government committed to contribute \$2,000,000 toward the project and in July 2016, CoM resolved to fund \$750,000, with \$750,000 of funding to come from CoO.



- 1.1.6 In February 2018 the State Government, through ORSR committed to contribute a further \$1,300,000 toward the Project, for a total \$3,300,000.
- 1.1.7 In January 2019, Council approved a further \$1,000,000 toward the Project, for total CoM funding of \$1,750,000.
- 1.1.8 Therefore the total committed funding from all parties is now \$5,800,000.
- 1.1.9 The SWBMX Project is proposed to be developed on Crown Land, however CoM has confirmed with the State Government that the development is not required to be referred to the Public Works Committee.
- 1.1.10 To advance the Project to date, the CoM has:
  - 1.1.10.1 Established a Project Advisory Group (PAG) comprising of a Chairperson and representatives from The Cove BMX Club, Happy Valley BMX Club, BMX Australia, BMX SA, ORSR, Department of Environment and Water (DEW) and staff from the CoM and CoO;
  - 1.1.10.2 Established of a Project Steering Group (PSG) comprising staff from ORSR, DEWNR and from the CoM and CoO;
  - 1.1.10.3 Engaged a geotechnical engineering specialist to investigate the soil conditions and provide development recommendations;
  - 1.1.10.4 Engaged a specialist track designer and builder to assist with the design of the facility / site;
  - 1.1.10.5 Held a design workshop with key stakeholders to consider the design of the BMX facility to inform the development of consultancy briefs;
  - 1.1.10.6 Engaged of a land surveyor to determine site contours, service locations and related matters; and
  - 1.1.10.7 Called for tenders for the appointment of a Design Consultant (comprising architects, engineers, design engineers and landscape architects) and Cost Consultant.
- 1.1.11 If the Project proceeds, the facility will be leased to and managed by an entity to be jointly formed and run by the Cove and Happy Valley BMX Clubs, which will manage daily operations. The legal status of the entity is yet to be determined, this will need to be resolved prior to CoM entering into any formal agreements with the entity. CoM and CoO will share the track maintenance expenditure with the Clubs, but CoM will be responsible for any capital replacement and improvement.
- 1.1.12 The CoM and the CoO have agreed to fund any on-going operational deficits on the basis that CoM and CoO will contribute 50% of the operating costs each (excluding capital renewal and depreciation).
- 1.1.13 **In line with the CoM's leasing policy, CoM will seek an initial five year lease from DEW** with a further three rights for renewal of five years each, for a total lease term of 20



years. DEW has indicated that a favourable lease rate will be arranged, due to the **facility meeting the Department's community use parameters.**

## 1.2 The Project

- 1.2.1 The ORSR, the CoM, the CoO and BMX SA are collectively undertaking the development of a UCI-compliant (competition and training venue for BMX in South Australia), which is to have the capacity to host national and potentially international competitions. The facility has been named the Sam Willoughby BMX Track (SWBMX), by the former Minister for Recreation and Sport (SWBMX Project).
- 1.2.2 The SWBMX **is to be located at Majors Road, O'Halloran Hill and** will provide for the existing competition needs of The Cove BMX Club, Happy Valley BMX Club and other state and regional communities. Existing BMX tracks in Hallett Cove and Happy Valley have reached a point that constraints are preventing further growth, access and improvement of facilities.
- 1.2.3 The capital cost of the SWBMX Project has been estimated by independent cost management consultants, Rider Levett Bucknall (RLB), at \$5.640 million. The cost of major works on the intersection to the site is estimated at an additional \$0.333 million.

## 1.3 Rationale for the Project

- 1.3.1 The purpose of the SWBMX is to develop a high-level competition and training venue for BMX in South Australia, with the capacity to host national and international competitions.
- 1.3.2 **The facility's desired outcomes**, which have been established by the PAG, are to:
  - 1.3.2.1 provide new quality BMX facilities to support participation and enjoyment of South Australians;
  - 1.3.2.2 meet the BMX training and competition needs of The Cove BMX Club, Happy Valley BMX Club; as well as state and regional communities;
  - 1.3.2.3 provide facilities which comply with current BMX Australia and UCI BMX Guidelines and requirements and have the flexibility and capacity to meet future changes to these requirements where feasible;
  - 1.3.2.4 support the training and development of competition BMX riders and officials (including specific arrangements for elite athletes);
  - 1.3.2.5 make positive contribution to the civic interests of the wider region from both a social, economic and health perspective;
  - 1.3.2.6 provide riding opportunities for youth at risk of disengaging from society;
  - 1.3.2.7 contribute towards the SA Tourism Plan 2020 objectives;
  - 1.3.2.8 attract interstate riders to the state and assist in raising the level of competition and rider participation in SA;



- 1.3.2.9 attract interstate riders to all BMX Clubs in SA via combined club race meeting strategies;
- 1.3.2.10 provide a venue that assists in promoting increased community physical activity;
- 1.3.2.11 maximise community access to and use of any proposed BMX facility;
- 1.3.2.12 provide a multipurpose sporting and recreation hub that will provide events and attract tourists to the region;
- 1.3.2.13 **enhance the O'Halloran Hill** Recreation Park and the experiences it can provide; and
- 1.3.2.14 support the development of the Adelaide Mount Lofty Ranges as an international mountain bike and cycling destination.

## 1.4 Legal Framework and Prudential Issues

- 1.4.1 The Local Government Act 1999 (Act) Section 48 states that:

*"a council must develop and maintain prudential management policies, practices and procedures for the assessment of projects to ensure that the council —*

- (a) acts with due care, diligence and foresight; and*
- (b) identifies and manages risks associated with a project; and*
- (c) makes informed decisions; and*
- (d) is accountable for the use of council and other public resources."*

- 1.4.2 The CoM has adopted a Prudential Management Policy which satisfies the requirements of the Act. Under the Policy, the preparation of a Prudential Report is the highest level and most thorough type of due diligence report required for the purposes of the Policy.

- 1.4.3 The Prudential Management Policy and the Act 1999 require Council to consider a report addressing the prudential issues set out in subsection 2 of Section 48 when a project meets certain criteria, specified in (1) (b), namely where a council:

- (b) engages in any project (whether commercial or otherwise and including through a subsidiary or participation in a joint venture, trust, partnership or other similar body)—*
  - (i) where the expected operating expenses calculated on an accrual basis of the council over the ensuing five years is likely to exceed 20 per cent of the council's average annual operating expenses over the previous five financial years (as shown in the council's financial statements); or*
  - (ii) where the expected capital cost of the project over the ensuing five years is likely to exceed \$4 000 000 (indexed); or,*



*(iii) where the council considers that it is necessary or appropriate.*

- 1.4.4** The prudential issues set out Section 48 of the Act are reproduced in full in Attachment One.
- 1.4.5** We note that the indexed value of the \$4.00 million threshold identified in Section 48 (1) (b) (ii) is \$4.888 million as at the date of this report.
- 1.4.6** As the Project has a capital value greater than \$4.888 million, we have been engaged to prepare a report to satisfy the requirements of Section 48 of the Act and the Prudential Management Policy.



## 2. RELATIONSHIP WITH STRATEGIC MANAGEMENT PLANS

*Local Government Act, Section 48 (2) the following are prudential issues for the purposes of subsection (1):*

*(a) the relationship between the project and relevant strategic management plans;*

### 2.1 Relevant Strategic Management Plans

**2.1.1** Section 122 of the Act requires a Council to develop and adopt strategic management plans; these are required to incorporate the extent to which a Council's objectives are related to regional, state and national objectives.

**2.1.2** For the purposes of this report the relationship between the Project and the following plans are considered relevant.

#### 2.1.2.1 City of Marion

- Community Vision - Towards 2040;
- Strategic Plan 2019-2029;
- City of Marion Business Plan 2019-2023;
- Annual Business Plan and Budget 2019-2020;
- Long Term Financial Plan 2019-2029; and
- Asset Management Plans.

#### 2.1.2.2 Regional

- No relevant regional plans were noted.

#### 2.1.2.3 South Australian State Government

- 30 Year Plan for Greater Adelaide;
- Office for Recreation, Sport and Racing Strategic Plan 2017 to 2021;
- Department for Environment and Water People and Parks Strategy; and
- 20-Year State Infrastructure Strategy (currently in development).

#### 2.1.2.4 National

- National Sport and Active Recreation Policy Framework.





## 2.2 City of Marion Plans

### 2.2.1 City of Marion Community Vision – Towards 2040

2.2.1.1 The City of Marion Community Vision - Towards 2040 was endorsed by Council in December 2013 to shape the future of the Marion community for 25 years.

2.2.1.2 The **CoM's** stated vision is as follows.

***"A community that is Liveable, Valuing Nature, Engaged, Prosperous, Innovative and Connected".***

2.2.1.3 The Project will provide enhanced lifestyle opportunities for the community and therefore aligns with the Liveable goal of the Vision.

### 2.2.2 City of Marion Strategic Plan 2019-2029

2.2.2.1 **To ensure Council's activities contribute to the Community Vision – Towards 2040**, the Council adopted the Strategic Plan 2019-2029 which provides a 10 year roadmap of the **CoM's** Purpose, Vision, Values, Goals, Challenges and Opportunities, Objectives and Strategies.

2.2.2.2 The CoM Community Vision - Towards 2040 has six themes are to be progressed in the Strategic Plan 2019–2029 through the following 10 year goals.

- Goal 1 – Liveable – Attractive neighbourhoods with diverse urban development, vibrant community hubs, excellent sporting facilities, open spaces and playgrounds.
- Goal 2 – Valuing Nature – Improve stormwater management, increase energy efficiency, promote biodiversity and improve opportunities for people to play in open spaces and interact with nature.
- Goal 3 – Engaged – Community will feel engaged and empowered to influence the improvement in their own neighbourhood.
- Goal 4 – Innovate – Constantly ready to adapt to technological advances and be better and quicker at sharing relevant information.
- Goal 5 – Prosperous – Realisation of the full potential of the Tonsley Precinct and other key commercial – industrial – retail zones
- Goal 6 – Connected - Easier and safer to move around the city which will have accessible services and plenty of walking and cycling paths. New technology and community facilities to better connect the community.

2.2.2.3 The Liveable goal contains two specific strategies that are considered strongly aligned to the Project:



*"L1 We will make our services, facilities and open spaces more accessible.*

*L2 We will create more opportunities for residents to enjoy recreation and social interaction in our neighbourhood centres, libraries, sports facilities and other Council facilities."*

### 2.2.3 City of Marion Business Plan 2019-2023

- 2.2.3.1 The CoM Business Plan explains the projects and programs Council will deliver over **as three year period to develop a city in line with community's wishes.**
- 2.2.3.2 **The Liveable goal in the Business Plan is "Communities that are safe and inclusive, embracing active living, and healthy lifestyles".**
- 2.2.3.3 The alignment of the Project is demonstrated by the inclusion of delivering **"a UCI standard BMX facility in partnership with State Government and the City of Onkaparinga" in the 19/20 and 20/21 Projects within the Business Plan.**

### 2.2.4 Annual Business Plan

- 2.2.4.1 The Annual Business Plan outlines how Council plans to allocate its budget and what services and projects will be developed in the forthcoming **financial year, so that CoM can progress the community's aspirations in the City of Marion Community Vision - 'Towards 2040' and the goals in the 10-year Strategic Plan 2019-2029.**
- 2.2.4.2 The Annual Business Plan links the overarching long term Strategic Plan with the budget, service delivery and rate levels for the current financial year.
- 2.2.4.3 The SWBMX Project is specifically identified as a strategic priority in the Annual Business Plan 2019-20 further evidencing the strong alignment of the Project with CoM strategic management plans.

### 2.2.5 Long-Term Financial Plan

- 2.2.5.1 The CoM Long Term Financial Plan 2019-2029 (LTFP) is a tool to assist in **determining Council's long-term** financial sustainability by projecting the financial impact of any known decisions and to provide guidance on the parameters to use when developing future budgets.
- 2.2.5.2 The SWBMX Project is identified as a key outcome in the LTFP.
- 2.2.5.3 The current LTFP includes the provision of \$565,000 in annual operating costs (including capital renewal of \$221,000) for the SWBMX Project. This amount conservatively reflects a 100% share of the on-going operating costs and, at this level, CoM maintains a cash surplus and exceeds the identified Key Financial Indicator targets.



**2.2.5.4** The initial costs were developed based on a high-level percentage of the estimated capital costs. Since these costs were developed, CoM has engaged with DirtzTrack, who design and build BMX tracks, to review the ongoing operating costs. The result is a downward revision to \$217,000 in annualised operating costs (including capital renewal of \$176,000). The CoM will fund 50% of the operating costs and 100% of the capital renewal costs, which is a total annualised cost of \$189,000.

**2.2.5.5** The CoM and CoO will need to enter into a formal agreement to share future operating costs. The CoO Council resolved on 19 November 2019 to fund 50% of the operating costs of the SWBMX Project, excluding future capital renewal and depreciation costs.

## **2.2.6** Asset Management Plans

**2.2.6.1** The CoM owns and manages a diverse portfolio of assets, valued in excess of \$1 billion. These assets exist in order to provide services to the community.

**2.2.6.2** The CoM undertakes a comprehensive asset management planning process to ensure the delivery of services from infrastructure is provided in a financially sustainable manner. This is reflected in detailed asset management plans which are maintained for various asset classes.

**2.2.6.3** Provisions are included in the CoM Asset Management Plan for the existing Cove BMX track, these will need to be reviewed once a decision is taken on the future use of the site. For the purposes of this SWBMX Project, cost associated with the future use of the existing Cove BMX track have not been considered.

**2.2.6.4** The SWBMX Project will impact the Asset Management Plans for Buildings and Open Space. Future versions of these Plans will need to be updated to reflect the new SWBMX Project.

## **2.3** Regional Objectives

**2.3.1** There are no relevant regional objectives.

## **2.4** South Australian State Objectives

The South Australian State objectives with respect to sport and recreation are articulated in a number of plans and by various agencies, the alignment of the Project with these plans is detailed below.

### **2.4.1** 30 Year Plan for Greater Adelaide

**2.4.1.1** The State Government's broad vision for sustainable land use and the built development of the state is outlined in the Planning Strategy. The relevant volume of the Planning Strategy is the 30-Year Plan for Greater Adelaide (2017 Update).



2.4.1.2 The 30 Year Plan (2017 Update) focuses on six key pillars, these are:

- (a) Containing our Urban Footprint;
- (b) More Ways to Get Around;
- (c) Getting Active;
- (d) Walkable Neighbourhoods;
- (e) A Green Liveable City; and
- (f) Greater Housing Choices.

2.4.1.3 The Project is aligned to the Getting Active and A Green Liveable City pillars of the 30 Year Plan.

2.4.1.4 One of the targets in the Green Liveable City pillar includes ensuring that Adelaide provides its residents with a diverse range of quality open spaces and places and notes that 'participating in sports and clubs also provides a valuable vehicle for social support and cohesion in our community'.

2.4.1.5 The SWBMX Project supports the growth of the sport in the region and provides a vehicle for CoM residents to engage with community activities and sports which help encourage active lifestyles.

2.4.1.6 The proposed investment in the SWBMX Project is strongly aligned with the 30 Year Plan for Greater Adelaide.

2.4.2 Office for Recreation, Sport and Racing 2017-2021 Strategic Plan

2.4.2.1 The State Government Office for Recreation, Sport and Racing Strategic Plan 2017 – 2021, **articulates a vision of "an active State" where sport and recreation activities develop stronger, healthier and happier communities.**

2.4.2.2 The Project will provide increased and enhanced opportunities to progress the Office for Recreation, Sport and Racing's **vision.**

2.4.2.3 The following strategies in the Strategic Plan will be advanced by the Project.

- (a) Plan and develop local, state, national and international standard sport and recreation infrastructure to meet government and community outcomes;
- (b) Collaborate across government to develop and co-invest in local and regional facilities that meet the needs of sport, recreation and the community.
- (c) Invest in people, projects and initiatives that increase access and opportunities to participate in sport and recreation.



2.4.2.4 The Project is considered to be closely aligned to the strategic priorities identified in the State Government Office for Recreation, Sport and Racing Strategic Plan 2017-2021.

2.4.3 Department for Environment and Water People and Parks Strategy

2.4.3.1 **The State Government's objective** for People and Parks is 'the encouragement of public use and enjoyment of reserves and education in, and proper understanding and recognition of, their purpose and significance'. The goals are:

- (a) Enriching our lives;
- (b) Enhancing parks;
- (c) Shared stewardship for parks; and
- (d) Growing community benefits and prosperity.

2.4.3.2 The proposed SWBMX supports all of these goals, by providing a facility **that supports healthy living, enhances the facilities of the O'Halloran Hill** Recreation Park, involves community groups in the operation of the Park and generates benefits for the wider community.

2.4.4 The 20-Year State Infrastructure Strategy is currently in development by Infrastructure SA.

## 2.5 National Objectives

2.5.1 The Australian Government, through the Department of Health, which administers the Australian Sports Commission Act 1989 is committed to, amongst other things, encouraging increased participation by Australians in sport and providing resources, and facilities to enable Australians to pursue sport whilst also furthering their educational and vocational skills and other aspects of their personal development.

2.5.2 In June 2011, Commonwealth, State and Territory Sport Ministers agreed to establish the first National Sport and Active Recreation Policy Framework (the Framework) to help guide the development of sports policy across Australia. The Framework provides a mechanism for the achievement of national goals for sport and active recreation and sets out the agreed roles and responsibilities of governments and their expectations of sport and active recreation partners.

2.5.3 The Framework outlines Commonwealth, State and Territory Government Expectations of Other Stakeholders including Regional and Local Government, as follows:

2.5.3.1 Facilitating a strategic approach to the provision of sporting and active recreation infrastructure including open space, and other needs.

2.5.3.2 Establishing local management and access policies to sport and recreation facilities.



- 2.5.3.3 Supporting and coordinating local and regional service providers (venues and programs).
  - 2.5.3.4 Liaising and partnering with state and territory governments on targeted program delivery.
  - 2.5.3.5 Supporting and partnering with non-government organisations that enable sport and active recreation participation.
  - 2.5.3.6 Incorporating sport and recreation development and participation opportunities in Council plans.
  - 2.5.3.7 Collaborating, engaging and partnering across government departments on shared Policy agendas.
  - 2.5.3.8 Investment in sport and active recreation infrastructure.
- 2.5.4 The SWBMX Project could be considered to support the objectives of the Act through improved and increased sports and recreation facilities and is consistent with the Framework agreed by the Commonwealth and state governments.



### 3. OBJECTIVES OF THE DEVELOPMENT PLAN

*Local Government Act, Section 48 (2) the following are prudential issues for the purposes of subsection (1):*

*(b) the objectives of the Development Plan in the area where the project is to occur;*

#### 3.1 Development Approval

- 3.1.1 Development in CoM is governed by the Development Plan – Marion Council, pursuant to Section 33 of the Development Act 1993 and the associated Development Regulations 2008. The current version of the Development plan is dated as consolidated on 15 August 2019.
- 3.1.2 The Development Plan outlines what sort of developments and land use are and are not envisaged for particular zones and various objectives, principles and policies controlling the nature of proposed developments. As such, the Development Plan covers matters including zoning issues, building appearance and neighbourhood character, land division, building siting and setbacks and environmental guidelines.
- 3.1.3 The proposed site for the SWBMX Project, bounded by the Southern Expressway to **the East and Majors Road to the South, is located within the O'Halloran Hill Recreation Park**, which is Crown Land under the care and control of the Department of Environment and Water (DEW).
- 3.1.4 To develop on the proposed site, the CoM will require the approval of the Minister for Environment and Water.
- 3.1.5 **The Project involves works which are defined as "development" under the Development Act 1993.**
- 3.1.6 The CoM intends to seek Development approval once the Prudential Report has been approved.
- 3.1.7 Development approval has yet to be obtained by Council, and is a prerequisite for the Project to proceed.

#### 3.2 Development Zone

- 3.2.1 The proposed location for the Project is within the Hills Face Zone, which is a zone in which the natural character is preserved and enhanced or re-established in order to:
  - 3.2.1.1 provide a natural backdrop to the Adelaide Plain and a contrast to the urban area;
  - 3.2.1.2 preserve biodiversity and restore locally indigenous vegetation and fauna habitats close to metropolitan Adelaide;
  - 3.2.1.3 provide for passive recreation in an area of natural character close to the metropolitan area;



- 3.2.1.4 provide a part of the buffer area between metropolitan districts and prevent the urban area extending into the western slopes of the Mount Lofty Ranges; and
  - 3.2.1.5 ensure that the community is not required to bear the cost of providing services to and within the zone.
- 3.2.2 Within the Hills Face Zone, structures must be designed in such a way as to:
  - 3.2.2.1 preserve and enhance the natural character or assist in the re-establishment of a natural character in the zone;
  - 3.2.2.2 limit the visual intrusion of development in the zone, particularly when viewed from roads within the zone or from the Adelaide Plain;
  - 3.2.2.3 not create, either in themselves, or in association with other developments, a potential demand for the provision of services at a cost to the community; and
  - 3.2.2.4 prevent the loss of life and property resulting from bushfires.
- 3.2.3 The proposed SWBMX Project does not appear to satisfy the Hills Face Zone objectives. Specifically, the Project requires fill to be deposited at heights greater than 1.5 metres, which contravenes the Hills Face Zone land use limitations. In addition, the proposed facility will produce an undulating track with jumps, hill starts and spectator embankments, which will not enhance or assist in re-establishing the natural character in the Zone.
- 3.2.4 However, upon review of the land and types of uses within reasonable proximity to the proposed SWBMX site, the area is not typical of the character that would be expected within such a zone. Included within a short distance of the proposed site is:
  - 3.2.4.1 **the O'Halloran Hill Recreation Park;**
  - 3.2.4.2 a shooting and archery club;
  - 3.2.4.3 the seven-lane Southern Expressway;
  - 3.2.4.4 an equestrian facility, comprising a very large industrial building;
  - 3.2.4.5 a rural property;
  - 3.2.4.6 a former TAFE complex consisting of several large buildings;
  - 3.2.4.7 a former drive-in movie site with a large disused screen; and
  - 3.2.4.8 a golf driving range.
- 3.2.5 Despite being located near a ridgeline, the proposed site is obscured from the **Adelaide Plains by the undulating topography, vegetation within the O'Halloran Hill Recreation Park** and densely-planted native trees on the eastern side. The most





visually dominant aspects of the Project will be the mounding and embankments associated with the tracks and car parking areas, which have a more natural form than the large-scale buildings already present within reasonable proximity of the proposed site. In addition, the proposed wind-break will be a vegetated mound on the western side of the site, which will further screen the facility from the road and general locality.

- 3.2.6** Given these considerations, the proposed site would be appropriate and in keeping with the surroundings, despite being within the Hills Face Zone.

### 3.3 Approving Authority

- 3.3.1** As the SWBMX Project is a joint project with the CoM and DEW as the landowner, either party can lodge the Development Application. Since the site is Crown Land DEW is currently considering whether the project qualifies for Development Act consideration as a Section 49 Crown Development with DEW as the applicant.

- 3.3.2** If DEW is the applicant, the application will be lodged with the State Planning Commission (SPC) and the following process will occur:

**3.3.2.1** Lodgement of all applicable plans and documentation (Dependent upon the cost of the development, the application may progress to public notification).

**3.3.2.2** Referral to applicable government agencies and Marion Council for comment (maximum 8 weeks to provide comment).

**3.3.2.3** The CoM staff will prepare a report for the Council Assessment Panel to provide comments to the SPC.

**3.3.2.4** Following the close of the public notification process (if applicable) and receipt of government agency and Council comments, a planning assessment will be undertaken by SPC staff with any outstanding matters being sought to be resolved prior to the application being presented to the State Planning Assessment Commission (SPAC) for determination.

- 3.3.3** If the CoM is the applicant, the application will be lodged with City of Marion and the following process will occur:

**3.3.3.1** Lodgement of all applicable plans and documentation and submission of a **'Statement of Support'**.

**3.3.3.2** Once CoM staff resolve to process the application, a Statement of Effect must be produced by the applicant, which following receipt, will progress the application to Category 3 public notification and referral to applicable government agencies.

**3.3.3.3** Following the close of the public notification process, a planning assessment will be undertaken with any outstanding matters being sought to be resolved prior to the application being presented to the CoM Assessment Panel for determination.



- 3.3.3.4 Assuming support is forthcoming from the Panel, the application will be referred to the State Planning Assessment Commission (SPAC) who must **grant 'concurrence' for the application to be granted Development Plan Consent (by the Council following written receipt of the SPAC's concurrence).**
- 3.3.3.5 Any person who lodged a representation regarding the proposal during the public notification period will have a right to appeal against that decision, if aggrieved, and must do so within 15 business days of the grant of Development Plan Consent.



## 4. ECONOMIC DEVELOPMENT

*Local Government Act, Section 48 (2) the following are prudential issues for the purposes of subsection (1):*

- (c) *the expected contribution of the project to the economic development of the local area, the impact that the project may have on businesses carried on in the proximity and, if appropriate, how the project should be established in a way that ensures fair competition in the market place;*

### 4.1 Contribution to Economic Development

- 4.1.1 Economic development can be defined as efforts that seek to improve the economic well-being and quality of life for a community by creating and/or retaining jobs and supporting or growing incomes and the tax base.
- 4.1.2 The contribution to economic development from the SWBMX Project will primarily come from two sources:
  - 4.1.2.1 construction activity in the area including the purchase of local goods and services; and
  - 4.1.2.2 activities in the area through the ongoing operation of the SWBMX Project.
- 4.1.3 To quantify the economic benefits of the SWBMX Project, CoM produced an Input-Output (I-O) **report from the economic modelling tool 'REMPPLAN'**.

### 4.2 Economic Impact Analysis

- 4.2.1 The REMPLAN I-O analysis to determine the output, employment and value-added impact of a \$5.817 million investment in the Southern Adelaide region is based on data sourced from the Australian Bureau of Statistics (ABS), most of which relates to the 2016, 2011, 2006 and 2001 Censuses.
- 4.2.2 Construction benefits
  - 4.2.2.1 Total output from the SWBMX Project including all direct, industrial and consumption effects is estimated to increase output by up to \$12.562 million. This represents a Type 2 Output multiplier of 2.227 and is comprised of the following:
    - (a) a \$5.641 million direct increase in output;
    - (b) a rise of \$5.103 million in the demand for intermediate goods and services, including the flow on effects as demand for local goods and services increases; and
    - (c) the consumption effects from the creation of jobs in the economy arising from the increases in direct and indirect output which are estimated to be \$1.818 million.



**4.2.2.2** An increase in output of \$12.562 million from the SWBMX Project should result in an increase of up to 39 jobs during the construction phase, from a Type 2 employment multiplier of 2.600, as detailed below:

- (a) the direct effect is estimated to create up to 15 jobs;
- (b) the indirect or flow on effect is estimated to result in the gain of a further 16 jobs; and
- (c) the consumption effect is estimated to boost employment by 8 jobs.

**4.2.2.3** The estimated impact of the SWBMX Project on wages and salaries is by up to \$2.446 million, representing a Type 2 multiplier of 2.694, the components are:

- (a) the increase from the direct effect is estimated at \$0.908 million;
- (b) the indirect or flow on effect is estimated at \$1.089 million, which represents a Type 1 Wages and Salaries multiplier of 2.200; and
- (c) the consumption effects under this scenario are expected to further boost employment in sectors such as retail therefore further increasing wages and salaries by an estimated \$0.449 million.

**4.2.2.4** The impact of the SWBMX Project on value added is estimated to increase by up to \$4.662 million, this represents a Type 2 value-added multiplier of 2.692 and is comprised of:

- (a) a direct impact of \$1.732 million;
- (b) an indirect or flow-on effect in terms of local purchases of goods and services are anticipated of \$1.882 million, this represents a Type 1 value-added multiplier of 2.087; and
- (c) A consumption effect of \$1.048 million, as a proportion of these wages and salaries are typically spent on consumption and a proportion of this expenditure is captured in the local economy.

**4.2.2.5** Table 1 summarises the construction impact of the Project.

Table 1 – Construction Impact Summary (REMPPLAN)

Impact Summary \$ millions	Direct Effect	Supply-Chain Effect	Consumption Effect	Total Effect
Output	\$5.641	\$5.103	\$1.818	\$12.562
Employment (Jobs)	15	16	8	39
Wages and Salaries	\$0.908	\$1.089	\$0.449	\$2.446
Value-added	\$1.732	\$1.882	e048	\$4.662



#### 4.2.3 Ongoing operational benefits

- 4.2.3.1** Following completion of the SWBMX Project, the facility will allow for a substantial increase in the number of BMX and cycling-related events and activities hosted in the region. The site will also have the capability to host the UCI World BMX Championships.
- 4.2.3.2** There is an expectation that the quality of the track and facilities will result in greater participation and membership in the Hallett Cove and Happy Valley BMX Clubs. In addition to the potential growth in membership and participation in local clubs, the facility has the potential to also host the Oceania Championships every five years and the BMX Supercross World Cup every ten years.
- 4.2.3.3** The CoM has developed estimates of the uplift in visitation that is expected to occur from the upgraded facility, both from increased demand and from holding new events. Table 2 summarises the CoM estimates.

Table 2 – CoM estimated growth in annual visitation and expenditure

Activity	Annual Visits	Estimated Additional Visitors	
The Cove BMX Club	21,200	+ 2,120	+ 10%
Happy Valley BMX Club	20,800	+ 2,520	+ 12%
The Cove BMX Club Training	10,000	+ 1,000	+ 10%
Happy Valley BMX Training	10,000	+ 1,000	+ 10%
Average Club Hire	5,000	+ 0	(no change)
State Championships	2,100	+ 0	(no change)
Total existing events	69,100	+ 6,640	
National Championship Series		+ 4,500	
Elite Training		+ 2,000	
Oceania Championship (every 10 years)		+ 1,220	
BMX Supercross World Cup (every 10 years)		+ 250	
Estimated future visitation through new events		+ 7,970	
Total estimated visitation with current and new events		+ 14,610	
Estimated expenditure per visitor		\$106	
Estimated expenditure of new visitors		1,548,660	

- 4.2.3.4** The estimated expenditure per visitor of \$106 is based on domestic day visitors to the Southern Adelaide region, provided in a REPLAN Tourist Impact Report.
- 4.2.3.5** Based on \$1.549 million of additional annual economic activity from new visitors, total output from the SWBMX Project including all direct, industrial and consumption effects is estimated to increase output by up to \$2.725



million. This represents a Type 2 Output multiplier of 1.759 and is comprised of the following.

- (a) A \$1.549 million direct increase in output;
- (b) A rise of \$0.619 million in the demand for intermediate goods and services, including the flow on effects as demand for local goods and services increases; and
- (c) The consumption effects from the creation of jobs in the economy arising from the increases in direct and indirect output which are estimated to be \$0.557 million.

**4.2.3.6** An increase in output of \$2.725 million from the SWBMX Project should result in an increase of up to 15 jobs from a Type 2 employment multiplier of 1.466, as detailed below.

- (a) The direct effect is estimated to create up to 10 jobs;
- (b) The indirect or flow on effect is estimated to result in the gain of a further 2 jobs; and
- (c) The consumption effect is estimated to boost employment by 2 jobs.

**4.2.3.7** The estimated impact of the SWBMX Project on wages and salaries is by up to 0.749 million, representing a Type 2 multiplier of 1.637, the components are detailed below.

- (a) The increase from the direct effect is estimated at \$0.458 million;
- (b) The indirect or flow on effect is estimated at \$0.154 million, which represents a Type 1 Wages and Salaries multiplier of 1.337; and
- (c) The consumption effects under this scenario are expected to further boost employment in sectors such as retail therefore further increasing wages and salaries by an estimated \$0.138 million.

**4.2.3.8** The impact of the SWBMX Project on value added is estimated to increase by up to \$1.323 million, this represents a Type 2 value-added multiplier of 1.827 and is comprised of the following.

- (a) A direct impact of \$0.724 million;
- (b) An indirect or flow-on effect in terms of local purchases of goods and services are anticipated of \$0.278 million, this represents a Type 1 value-added multiplier of 1.383; and
- (c) A consumption effect of \$0.321 million, as a proportion of these wages and salaries are typically spent on consumption and a proportion of this expenditure is captured in the local economy.



Table 3 – Operational impact summary (REMPLAN)

Impact Summary \$ millions	Direct Effect	Industrial Effect	Consumption Effect	Total Effect
Output	1.549	0.619	0.557	2.725
Employment (Jobs)	10	2	2	15
Wages and Salaries	0.458	0.154	0.138	0.749
Value-added	0.724	0.278	0.321	1.323

### 4.3 Impact on Business in the Proximity

- 4.3.1** Given the location of the SWBMX facility, we would not expect there to be any significant negative impacts for businesses in the proximity as a result of the construction phase of the SWBMX Project.
- 4.3.2** Post-construction, the direct impact on local business is expected to be generally positive. The higher visitation to the area should result in greater spend on accommodation, food, beverage and retail businesses within the surrounding areas including in **Hallett Cove and O'Halloran Hill**.

### 4.4 Fair Competition

- 4.4.1** There is not a BMX facility in the area that is equivalent to the proposed SWBMX Project. The nearby BMX tracks at Hallett Cove and Happy Valley are of a lower standard and the proposed SWBMX will be utilised by the respective clubs.
- 4.4.2** The proposed SWBMX Project will not constitute a significant business activity, as defined by national competition principles and therefore the principles of fair competition are not relevant in this instance.



## 5. COMMUNITY CONSULTATION

*Local Government Act, Section 48 (2) the following are prudential issues for the purposes of subsection (1):*

- (d) *the level of consultation with the local community, including contact with persons who may be affected by the project and the representations that have been made by them, and the means by which the community can influence or contribute to the project or its outcomes;*

### 5.1 Level of Consultation

5.1.1 The CoM Community Engagement Policy (2016), pursuant to Section 50 of the Local Government Act 1999, sets out the steps that Council intends to take to deliver **effective community consultation, whilst fulfilling Council's requirements under the Act.**

5.1.2 The principles of the Community Engagement Policy are as follows.

5.1.2.1 Elected Members are acknowledged as the representatives of community and empowered to make decisions. The role of staff is to present to the Elected Members all facts (which may include community perspectives) relevant to Council decisions, and subsequently to implement the decisions of Council.

5.1.2.2 We communicate openly and honestly about the degree of influence communities are able to exercise in any engagement activity or key decision.

5.1.2.3 We value the diversity of our communities and will utilise inclusive, representative and accessible approaches.

5.1.2.4 We commit to evaluation and continuous improvement in our community engagement.

5.1.2.5 The CoM will commit to appropriate levels of community engagement before making significant decisions taking into account the number of people affected and the likely degree of impact of the decision.

5.1.3 According to the Policy, the CoM is to consider the following methods of including the community, which are consistent with the International Association of Public Participation's (IAP2) **Core Values**:

5.1.3.1 Inform - communicating balanced and objective information to help the community understand the decision.

5.1.3.2 Consult - providing information, ideally presenting a number of options, to allow the community to express their preferences regarding the decision.





- 5.1.3.3 Involve - working directly with the community throughout a project to ensure that concerns and aspirations are consistently understood and considered as the project evolves through to completion.
- 5.1.3.4 Collaborate - working in partnership with the community, with a shared sense of responsibility for the work and the outcome.
- 5.1.3.5 Empower – Places the decision-making about specific projects in the hands of the community. The community takes responsibility and is accountable for the outcomes of decisions made.

We note that the Policy is not prescriptive under which circumstances these methods are to be applied.

- 5.1.4 The CoM has prepared and implemented a Community Engagement Plan for the Project consistent with the Policy. This Plan includes community consultation throughout the pre-construction, construction and pre-opening and operational phases of the Project. The objectives of the Plan are to:
  - 5.1.4.1 Identify current and future stakeholders including general community and key stakeholders who are directly affected.
  - 5.1.4.2 Inform all stakeholders of opportunities to participate in engagement activities.
  - 5.1.4.3 Consult with key stakeholders to:
    - (a) Identify vision and objectives of the concept design;
    - (b) understand the current and future needs and identify solutions; and
    - (c) develop potential and preferred management options.
  - 5.1.4.4 Conduct consultation with broader community on final design.
  - 5.1.4.5 Inform communities of how their participation influenced the final concept design.
- 5.1.5 The community consultation objectives for the pre-construction phase have been achieved through the following activities.
  - 5.1.5.1 Engagement with the BMX clubs to ensure that the proposed facility will meet the needs of the southern Adelaide BMX community, which will be handed over to the clubs for the operational management of the facility on completion.
  - 5.1.5.2 In conjunction with DEW, the identification and consultation with landowners and lessors within proximity to the proposed location to understand their requirements and any potential impacts on them.



**5.1.5.3** Consultation meetings held with the key stakeholders in March 2017, prior to which announcements were circulated to allow the opportunity for considered responses.

**5.1.6** Broader community engagement activities have been focused primarily on direct contact and engagement with sports and community bodies that will be affected by the proposed facility.

**5.1.7** The SWBMX Project was identified in the 2019/23 CoM Annual Business Plan, which was made available to the broader Community for consultation.

**5.1.8** The proposed development is on a greenfield location that is isolated from residential properties, as a result consultation has been appropriately limited to stakeholders at sites along Majors Road, including:

**5.1.8.1** Southern Archers;

**5.1.8.2** Sturt Pistol & Shooting Club;

**5.1.8.3** **Friends of O'Halloran Hill; and**

**5.1.8.4** Holdfast Model Aero Club.

**5.1.9** The CoM has applied the principles of the Community Engagement Policy in the community consultation on the SWBMX Project. The community consultation will need to be maintained throughout the construction and pre-opening and operational phases to achieve the Plan objectives.

## **5.2 Community Influence and Contribution**

**5.2.1** The stakeholders consulted are supportive of the proposed SWBMX Project.

**5.2.2** The Southern Archers and Sturt Pistol & Shooting Club identified the requirement for enhanced perimeter fencing to ensure that there is no risk of members of the public wandering into live fire areas.

**5.2.3** **The CoM has noted that the O'Halloran Hill Recreation Park is currently frequented by** mountain bike riders and other users, and existing fencing has been sufficient. However, due to the height of the starting ramps, the SWBMX track will be fenced and unavailable to the public outside of events organised by the BMX clubs. Any improvement to the perimeter fencing of the Southern Archers and Sturt Pistol & Shooting Club should be managed by them in conjunction with DEW.

**5.2.4** Through the community engagement process the CoM has provided the opportunity for the community to influence the Project.



## 6. FINANCIAL ASSESSMENT

*Local Government Act, Section 48 (2) the following are prudential issues for the purposes of subsection (1):*

- (e) if the project is intended to produce revenue, revenue projections and potential financial risks;*
- (f) the recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements;*
- (g) the financial viability of the project, and the short and longer term estimated net effect of the project on the financial position of the council;*

### 6.1 Revenue Production, Revenue Projections and Potential Financial Risks

#### 6.1.1 Revenue Production

6.1.1.1 The SWBMX Project is not intended to produce material revenues.

6.1.1.2 However, the entity which will manage the facility will be required to enter **into a lease consistent with the CoM's Leasing and Licensing of Council Owned Facilities Policy.**

6.1.1.3 Under the Policy, the CoM intends to set an annual licence fee based on an independent market rental valuation, with a 93% discount applied. The discount is based on a build-up of the subsidies available to community organisations for the use of Council-owned facilities. The subsidy criteria to a maximum 93% discount are:

(a)	Good Governance	33%
(b)	Facility Utilisation	30%
(c)	Social Inclusion	20%
(d)	Volunteer Management	5%
(e)	Environmental Initiatives	5%

Our preliminary assessment of the criteria above, which are further detailed in the Policy, is that each subsidy criteria is likely to be met and therefore a 93% discount will be applied to the market rental rate. Final review of the subsidy criteria will need to be performed once the policies, procedures and governance of the Managing Entity have been formalised.

6.1.1.4 The CoM has engaged JLL to prepare a market rental valuation, which **produced a market valuation of \$37,500. Applying Council's Policy would** result in a license fee of \$2,625 after a 93% discount. Given this has yet to be agreed with the BMX clubs, no rental income has been included in the financial modelling.



- 6.1.1.5 There are no existing plans for commercial facilities to be operated at the site to produce revenue that could financially benefit CoM or the managing entity.

## 6.1.2 Potential Financial Risks

The most significant financial risks relating to the SWBMX Project are as follows.

- 6.1.2.1 Failure to secure sufficient funding for the Project. There is currently a \$0.2 million funding shortfall (3% of the project). CoM has advised that as shortfall is within 10% of the project budget, it is in line with industry standard to progress the project through the design and development. The shortfall will be managed through cost-saving efforts identified during the development phase. Construction costs will have to be actively managed to ensure that potential cost overruns do not compound the funding shortfall and place the Project completion at risk;
- 6.1.2.2 Overruns in the cost of construction which could also result in higher future capital renewal costs; and
- 6.1.2.3 Whole-of-life project costs that may exceed current provisions in the Long Term Financial Plan.

## 6.2 Recurrent and Whole of Life Costs, Financial Arrangements

### 6.2.1 Recurrent Costs

#### 6.2.1.1 Maintenance

- (a) **Under the Council's current Leasing and Licensing** of Council Owned Facilities Policy, Council is responsible for the maintenance, repairs and replacement of structural items in Council owned buildings and flood lighting, while the lessee is responsible for utilities, outgoings and waste disposal associated with their operations.
- (b) Given the specialist requirements of the BMX track itself, Council is intending to negotiate with the clubs to take on the responsibility of its maintenance, which is estimated to be \$16,000 per annum of in-kind support. In the financial analysis it has been conservatively assumed that the BMX clubs will cover only \$1,000 per annum of the estimated track maintenance costs, which will largely be in-kind support from the BMX clubs.
- (c) Repairs and maintenance to the facility, excluding the BMX track itself, are estimated to be \$28,000 per annum which will be shared evenly by the CoM and CoO.
- (d) Recurrent costs, such as utilities and DEW head lease fees will be passed through to the managing entity.

**6.2.1.2 Depreciation**

Depreciation for up-front capital costs and an approximate allowance for capital renewal is estimated at \$176,000 per annum, calculated in accordance with Generally Accepted Accounting Principles based on the **CoM's estimates of the useful life** of the asset classes being constructed.

**6.2.1.3 Other Expenses**

- (a) The CoM will fund the SWBMX Project capital costs from available cash reserves. While there will not be direct funding costs for the SWBMX Project, the reduction in cash reserves will have an indirect funding impact of approximately \$60,000 p.a. based on the current CAD rate, which should be considered.
- (b) There is no specialised insurance policy required for the SWBMX Project. **It will be covered within CoM's existing insurance coverage.**

**6.2.2 Whole of Life Costs**

**6.2.2.1** Whole-of-life costing has been prepared based on the capital expenditure, maintenance and depreciation costings provided. The forecast lease revenue has not been included in the calculation. If realised, it will amount to \$91,906 over the life of the asset (25 years).

**6.2.2.2** The estimated capital costs of the Project, produced by independent cost estimates Rider Levett Bucknall (RLB), are shown in Table 4.

Table 4 – Capital cost estimate summary

Component	Cost \$
UCI race track	1,284,180
UCI race track preparation earthworks due to reactive soil	1,243,284
100 lux track lighting	157,200
5 and 8M start ramp	892,200
Pump track (provided for in site infrastructure)	n/a
120-car carpark	487,796
Design clubhouse to budget	235,500
Public facilities (provided for in site infrastructure)	n/a
Site infrastructure	583,375
Estimated net cost	4,883,535
Allowance for construction contingency 7.5%	366,265
Allowance for professional fees 8.0%	390,683
Project Subtotal excluding major intersection works	5,640,483



Component	Cost \$
Major intersection works	333,065
Total Estimated Cost	5,973,548

**6.2.2.3** Table 5 shows the total estimated annualised operating costs of \$217,000, including capital renewal provisions of \$176,000, along with the contributions being made by each party towards these costs. Further detail is provided in Attachment Two.

Table 5 - Annual Operating Costs

	\$'000
Operating Costs	
Maintenance (incl. car park works every 5 years)	28.0
Other Operating Costs	13.2
Total Operating Costs	41.2
Depreciation / capital renewal	175.9
Total Operating Costs	217.1
Funding – operating costs	
CoM	13.0
City of Onkaparinga	13.0
BMX Clubs	15.2
Total Funding	41.2

**6.2.2.4** The cash costs are estimated to be \$41,000, comprising \$27,000 in maintenance, \$7,500 in electricity, \$1,200 in water and \$4,500 in other operating costs. Water and electricity costs will be passed through to the managing entity.

**6.2.2.5** Over a 25-year period, the costs adjusted for inflation are estimated to be \$7.4 million. This includes capital renewal of \$6.0 million and cash costs of \$1.4 million.

### 6.2.3 Financial Arrangements

**6.2.3.1** The funding arrangements for the SWBMX Project are detailed in Table 6.

Table 6 – Up-front Capital Funding Arrangement (excl. major intersection works)

Funding sources	Amount \$ millions
State Government	\$3.30
City of Marion	\$1.75
City of Onkaparinga	\$0.75



Funding sources	Amount \$ millions
Total Funding	\$5.80

- 6.2.3.2** Funding commitments from the State Government has been confirmed in writing from ORSR and the City of Onkaparinga has approved and made provision for funding in its Long Term Financial Plan.
- 6.2.3.3** Based on the estimated \$6.0 million total Project capital costs (including major roadworks), there is currently a \$0.2 million funding shortfall (3% of the total Project cost). CoM have advised that this will be managed through cost management efforts in the project development phase.
- 6.2.3.4** In the event that State Government funding was not made available, the CoM has advised that they and the CoO would work together to develop a lower-grade regional BMX track in the same location that could be developed over time into a UCI-grade facility.

### 6.3 Financial Viability

- 6.3.1** Financial viability can be defined as the ability to generate sufficient income to meet operating expenses, financial obligations and to provide for future growth.
- 6.3.2** The SWBMX Project is being undertaken to provide community infrastructure that is not expected to produce revenue at a level which would make the asset financially viable in its own right. Therefore the CoM, in conjunction with the CoO, will need to subsidise the construction and ongoing management of the SWBMX.
- 6.3.3** The CoM has adopted a number of key indicators to assess the financial viability of its operations the target are shown below in Table 7.

Table 7 - LTFP Key Financial Indicators

Key Financial Indicator	Target
Average Operating Surplus / (Deficit) Ratio	0% and 5% (average over a 5-year period)
Net Financial Liability Ratio	0% to 50%
Asset Sustainability Ratio	95% to 100%

- 6.3.4** The 2019-2029 LTFP included a provision for the estimated costs of the SWBMX Project. Through revisions and ongoing SWBMX Project scoping work, these costs have been reduced to a level which is below the previous estimates in the LTFP.
- 6.3.5** As a result of the downward revision of costs, there is a forecast improvement to the LTFP Key Financial Indicators, as shown below in Table 8. As a new investment, there is no impact on the Asset Sustainability ratio over the LTFP period and therefore this has not been included below.



Table 8 – Operating impact on LTFP (2019-2029)

\$ millions	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
<b>Funding Surplus</b>									
Adopted LTFP	(0.9)	(0.8)	(1.0)	-	2.7	3.2	3.5	3.9	4.6
Project Impact	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
<b>Adjusted LTFP</b>	<b>(0.6)</b>	<b>(0.5)</b>	<b>(0.6)</b>	<b>0.4</b>	<b>3.0</b>	<b>3.6</b>	<b>3.9</b>	<b>4.3</b>	<b>5.0</b>
<b>Operating Surplus / (Deficit)</b>									
Adopted LTFP	7.5	7.3	7.8	9.2	9.6	10.0	9.9	10.1	10.5
Project Impact	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5
<b>Adjusted LTFP</b>	<b>7.9</b>	<b>7.7</b>	<b>8.3</b>	<b>9.6</b>	<b>10.0</b>	<b>10.4</b>	<b>10.4</b>	<b>10.6</b>	<b>11.0</b>
<b>Operating revenue</b>									
Adopted LTFP	95.7	97.6	100.3	103.1	106.0	109.1	112.3	114.5	117.7
Project Impact	-	-	-	-	-	-	-	-	-
<b>Adjusted LTFP</b>	<b>95.7</b>	<b>97.6</b>	<b>100.3</b>	<b>103.1</b>	<b>106.0</b>	<b>109.1</b>	<b>112.3</b>	<b>114.5</b>	<b>117.7</b>
<b>Operating Surplus Ratio</b>									
Adopted LTFP	7.8%	7.5%	7.8%	8.9%	9.1%	9.1%	8.8%	8.8%	8.9%
Adjusted LTFP	8.3%	7.9%	8.2%	9.3%	9.5%	9.5%	9.2%	9.3%	9.4%
<b>Net Financial Liability Ratio</b>									
Adopted LTFP	2.7%	1.4%	0.1%	-2.4%	-7.0%	-11.8%	-16.5%	-21.8%	-27.2%
Adjusted LTFP	2.4%	0.6%	-0.9%	-3.8%	-8.7%	-13.8%	-18.8%	-24.4%	-30.1%

- 6.3.6 The CoM has the existing financial resources to fund its share of the SWBMX Project construction and has demonstrated through its LTFP that it has the financial capacity to fund its share of the ongoing operations.





## 7. PROJECT RISK AND MITIGATION STRATEGIES

*Local Government Act, Section 48 (2) the following are prudential issues for the purposes of subsection (1):*

- (h) *any risks associated with the project, and the steps that can be taken to manage, reduce or eliminate those risks (including by the provision of periodic reports to the chief executive officer and to the council);*

### 7.1 Risk Management

- 7.1.1** This report assesses the risk management actions taken or being considered by CoM for the Project. It is not the purpose of the report to prepare a comprehensive risk management plan, however a level of assessment has been undertaken on the identified risks and the mitigations that have been developed.
- 7.1.2** The CoM has established a Risk Management Policy, which has the following objectives:
- 7.1.2.1** Introduce and embed a risk culture and high level of risk awareness throughout all levels of CoM to support achievements aligned to our vision, strategies, services and actions.
  - 7.1.2.2** Implement consistent risk management processes to manage risk and **opportunities throughout CoM's organisational systems and functions** including planning, resource allocation priorities, internal audit and control processes, in line with risk management standards including AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines.
  - 7.1.2.3** To clarify the responsibilities within the risk management framework to enable the consistent and systematic application of our risk management approach within all Council operations.
  - 7.1.2.4** To guide a risk management approach to strategic, operational and project decision making to ensure proactive management strategies are implemented to mitigate against events occurring and ensure robust contingency plans to lessen the impact of events if they were to materialise.
  - 7.1.2.5** To strengthen the risk management program by implementing a Business Continuity Management (BCM) Framework to minimise the impact of **business disruptions on the Council's critical community services.**
  - 7.1.2.6** To protect public funds, assets and the integrity, security and reputation of the CoM by implementing a Fraud Policy which will prevent, identify, minimise and control fraudulent and/or corrupt activity.
  - 7.1.2.7** To provide adequate response to emergencies on behalf of the CoM residents and the community by implementing a Community Emergency Response Policy outlining our commitment to our community.



**7.1.2.8** To continually align the risk management program with the Business Excellence Framework.

**7.1.3** In accordance with the Risk Management Policy, an assessment of the risks associated with the SWBMX Project, along with mitigation strategies have been undertaken by the CoM and identified in a Risk Register.

**7.1.4** The ongoing management of the SWBMX Project should include the review and regular updating of the Risk Register, with appropriate changes incorporated to reflect the various Project phases.

**7.1.5** The number of risks identified by Category and risk-rating is identified in Table 9 below.

Table 9 - Risk Register Summary

Category	Risk Rating		
	High	Medium	Total
Financial sustainability	3	6	9
Stakeholder relations	5	1	6
Liability	1	4	5
Environmental & natural resource management	1	3	4
Legal & regulatory compliance	-	4	4
Strategy	1	2	3
Contracts & procurement	-	2	2
Execution, delivery & process management	-	2	2
Public safety	1	-	1
Total	12	24	36

**7.1.6** Table 9 shows that there were a total of 36 risks identified, of which 12 were rated as 'High' risk prior to the application of mitigating controls and activities.

**7.1.7** The 12 key risks, which have a 'High' rating, have been identified in Table 10 below. With the exception of one risk, all key risks have been reassessed as 'Medium'-level risk, based on the proposed mitigation strategies.



Table 10 - High-level risks, mitigation strategy and adjusted risk rating

Risk Description	Adjusted risk rating
1. Five and eight metre ramps - injury to inexperienced riders, injury to public	High
2. Community dissatisfaction with Council spending significant additional funds (to what was originally budgeted & publicised) on specific sporting project	Medium
3. If the project scope and agreement are unable to be finalised with work commencing prior to May 2020 project funding is at risk of being withdrawn	Medium
4. Traffic generated by BMX facility, and any other new facilities, have an impact on the present form of Majors Road resulting in DPTI requiring changes to occur as part of the project	Medium
5. The effect of the swell-shrink and cracking of the highly expansive clays have a negative impact on the track surface and longevity	Medium
6. The cost of the facility as designed exceeds the budget	Medium
7. Clubs not relocating to or taking up the sublease of the new site	Medium
8. Project governance (including communication between and within funding parties) results in a final project agreement of a low budget project which will have a higher whole of life costs borne by the CoM	Medium
9. Project delivery needs to be staged due to costs exceeding budget, with the cost of the subsequent staged items borne by CoM	Medium
10. Operational and maintenance cost of the facility are borne by CoM	Medium
11. Further costs to Council as the WHS responsibilities will be the Clubs, which are totally volunteer based	Medium
12. Facility location has a negative impact on the functionality of the MFS station opposite	Medium

**7.1.8** The highest risk identified for the SWBMX Project is the risk of injury to inexperienced riders and injury to the public, which has a 'Severe' consequence and a 'Possible' likelihood. This risk sits with the Clubs, however there is reputational risk to the CoM. Through the following risk mitigation controls, the likelihood of occurrence has been reassessed to 'Unlikely', but still maintains an overall High risk rating:

**7.1.8.1** Perimeter fencing;

**7.1.8.2** Bottom of ramp closed-off with gates;

**7.1.8.3** Training and supervision of inexperienced riders by the participating clubs;

**7.1.8.4** Appropriate club-level insurance coverage;

**7.1.8.5** Presence of qualified first-aid personnel during events;

**7.1.8.6** Consideration of an intruder detection system



- 7.1.8.7 Warning signage;
- 7.1.8.8 Monitor of the effectiveness of access controls; and
- 7.1.8.9 Seek professional advice on insurance and liability.
- 7.1.9 The completeness of the risk assessment demonstrates the Project Lead has an appropriate appreciation of the relevant Project risks which in itself helps to mitigate the risk of the SWBMX Project.

## 7.2 Risk Mitigation

- 7.2.1 The CoM has prepared a Risk Register that identifies the mitigation strategies that need to be implemented to reduce the forecast risks to acceptable levels. For each for the 36 risks identified risk assessment, the Risk Register:
  - 7.2.1.1 determines the risk rating, based on the likelihood and the consequence of an event occurring;
  - 7.2.1.2 identifies the current controls that are in place and whether those controls are effective;
  - 7.2.1.3 provides a treatment plan for further mitigation of the risk; and
  - 7.2.1.4 identifies a revised risk rating based on the likelihood and consequence of the risk with regard to the mitigating activities and controls.
- 7.2.2 One of the key identified risk mitigation strategies is the ongoing monitoring of risks. This will be managed through the use of a Project Steering Group (PSG). The PSG is expected to provide oversight and direct the development of the SWBMX Project and to advise the three funding bodies and the landowner of the development of the project.
- 7.2.3 The PSG currently includes the following members:
  - 7.2.3.1 Greg Salmon (Chair) | CoM
  - 7.2.3.2 Carla Zub | CoM
  - 7.2.3.3 **Sean O'Brien | CoM**
  - 7.2.3.4 **James O'Hanlon | CoM**
  - 7.2.3.5 Geoff Norris | CoO
  - 7.2.3.6 Phil Freeman | ORSR
  - 7.2.3.7 Nicholas Tallarida | ORSR
  - 7.2.3.8 **John O'Malley | DEW**
  - 7.2.3.9 Peter Stokes | DEW



- 7.2.4 The delivery of the SWBMX Project within budget and timeframes will be strongly linked to the effectiveness of the PCG and its ability to provide high level oversight and drive strong project governance.
- 7.2.5 Consistent with good risk management practices, project reporting occurs:
  - 7.2.5.1 fortnightly from Manager City Activation to General Manager City Development;
  - 7.2.5.2 monthly from Manager Finance to Council; and
  - 7.2.5.3 monthly Strategic Projects reporting from Manager City Activation to Project Control Group, which includes the Executive Leadership Team.
- 7.2.6 We acknowledge that quality risk assessment and mitigation is an iterative process. While the risk assessment has been performed to a high standard to date, good risk management involves constantly monitoring and assessing risk and regularly updating the risk assessment to reflect changes in risk as the SWBMX Project progresses. The Project Lead is responsible for ensuring this occurs.
- 7.2.7 Overall the CoM risks management oversight is through the Finance & Audit Committee, which meets quarterly to review the Risk Profile and monitor the risk exposure of Council. We recommend that the SWBMX Project risk rated as 'high' - risk to inexperienced riders and members of the public - be tracked and regularly reported to the Committee.



## 8. PROJECT DELIVERY

*Local Government Act, Section 48 (2) the following are prudential issues for the purposes of subsection (1):*

*(i) the most appropriate mechanisms or arrangements for carrying out the project.*

### 8.1 Delivery Mechanism

- 8.1.1 The SWBMX Project design procurement, design phases, funding and stakeholder engagement will be managed by a CoM appointed internal Project Manager.
- 8.1.2 The external project management will be managed by the Design Consultant, in close liaison with the CoM Project Manager.
- 8.1.3 It is envisioned that an external Project Manager / Superintendent will be procured for the construction tender, construction and defects liability stages of the SWBMX Project.
- 8.1.4 The detailed Project Management Plan (PMP) prepared by CoM provides detail on the:
  - 8.1.4.1 Project Scope;
  - 8.1.4.2 Project Cost Estimate;
  - 8.1.4.3 Project Team and Structure;
  - 8.1.4.4 Project Procurement;
  - 8.1.4.5 Subcontractor Management;
  - 8.1.4.6 Project Reviews; and
  - 8.1.4.7 Audit Controls.
- 8.1.5 Reporting for the SWBMX Project should follow the reporting framework for significant capital projects, established by Council. This includes:
  - 8.1.5.1 monthly management report from Manager Finance to Council;
  - 8.1.5.2 monthly Strategic Projects reporting from Manager City Activation to Project Control Group, which includes the Executive Leadership Team; and
  - 8.1.5.3 fortnightly reporting from Manager City Activation to General Manager City Development.
- 8.1.6 The CoM has established a Project Advisory Group (PAG) to represent all key stakeholder organisations within the project, with the objectives to:
  - 8.1.6.1 Collaborate to provide advice and input to review, monitor and guide the development of the SWBMX facility.



- 8.1.6.2 Represent and ensure each stakeholder organisations needs within the project are considered.
  - 8.1.6.3 Provide advice on technical aspects of BMX track design, events and expectations.
  - 8.1.6.4 Provide feedback to the Project Steering Group and project consultants.
- 8.1.7 The PAG is composed of representatives from:
  - 8.1.7.1 BMX Australia;
  - 8.1.7.2 BMX SA;
  - 8.1.7.3 Happy Valley BMX Club;
  - 8.1.7.4 Hallett Cove BMX Club;
  - 8.1.7.5 City of Marion; and
  - 8.1.7.6 City of Onkaparinga.
- 8.1.8 A PAG stakeholder workshop was held in November 2016, prior to issuing the design and cost consultancy tenders, and several workshops have been since held between the design team, stakeholders and funding partners to ensure that the design and layouts would be effective and meet the required outcomes.
- 8.1.9 Given the scale of the SWBMX Project, the delivery mechanism put forward by the CoM is appropriate for achieving the proposed outcomes.

## 8.2 Procurement implications

- 8.2.1 The CoM Procurement and Contractor Management Policy applies to all Council staff and personnel engaged by Council to undertake procurement activities on its behalf, and it relates to all procurement activities associated with the acquisition of goods, works or services of any value by CoM.
- 8.2.2 The Policy prescribes that the procurement method for obtaining goods, works and services will be determined according to the estimated cost across the total life of the project; the nature of the procurement and the risk profile of the project.
- 8.2.3 **In accordance with Council's Procurement Policy and associated** Operating Guidelines, the CoM has prepared a Procurement Strategy for the SWBMX Project.
- 8.2.4 The procurement strategy has been developed in-line with the CoM's ten Procurement Principles:
  - 8.2.4.1 Intent to Contract;
  - 8.2.4.2 Value for Money;
  - 8.2.4.3 Open and Effective Communication;



- 8.2.4.4 Risk Management;
  - 8.2.4.5 Confidentiality;
  - 8.2.4.6 Probity, Accountability and Transparency;
  - 8.2.4.7 Efficient Procurement Practices;
  - 8.2.4.8 Work Health and Safety;
  - 8.2.4.9 Environmental Management; and
  - 8.2.4.10 Use of Local Contractors and Sustainable Procurement.
- 8.2.5 The CoM has determined that a Traditional Method of procurement is appropriate for this Project. Due to the specialist nature of a UCI-grade BMX track close involvement of the BMX stakeholders throughout the design process, is important in achieving the objectives of the SWBMX. Thus a Traditional Method of procurement is preferred over a Design and Construct approach, as it provides CoM with greater control over the whole design of the SWBMX.
- 8.2.6 Delivery risks with a Traditional Method of procurement are accepted and well understood, including scope management, latent conditions, design errors and statutory requirements change. The risk profile is provided for, through the contingency funds within the project budget.
- 8.2.7 Procurement of the construction works can be either through the two stage process of an open call for expressions of interest (EOI) followed by a select tender process, or by the single stage process of an open tender call. It is likely that the full scope of construction works would be included, although the clubhouse could be procured separately as it is thought that this could attract better pricing from small building contractors than from the civil contractors who are likely to tender for the otherwise predominantly civil related works. EOI and Tender submissions would be assessed by selected representatives from CoM, CoO and Office for Recreation, Sport and Racing.
- 8.2.8 The specialist construction of the track itself, mounding, shaping, riding needs to be carried out by an experienced specialist contractor. This specialist can be listed as a nominated subcontractor in the construction tender documentation, or could be engaged separately. The advantages, disadvantages and risks of how the specialist BMX contractor is engaged will need to be considered before a decision is made.
- 8.2.9 The Procurement Strategy for the SWBMX Project, is consistent with **the CoM's** Procurement and Contractor Management Policy.





## 9. SALE AND OR DISPOSITION OF LAND

*Local Government Act, Section 48 (2) the following are prudential issues for the purposes of subsection (1):*

*i) if the project involves the sale or disposition of land, the valuation of the land by a qualified valuer under the Land Valuers Act 1994.*

### 9.1 Valuation of Land

The SWBMX Project does not involve the sale or disposition of land and hence the requirements of Section 48 (2) (j) are not relevant to the project.



## 10. CONCLUSION

- 10.1 This report has been prepared to meet the requirements of **the CoM's** Prudential Management Policy and Section 48 of the Local Government Act, to provide Council with a comprehensive understanding of the prudential issues relating to the \$6.0 million SWBMX Project (including major roadworks of \$0.3 million). The Project is **the development at Majors Road, O'Halloran Hill** of a UCI-compliant competition and training venue for BMX in South Australia, which is to have the capacity to host national and potentially international competitions. The facility has been named the Sam Willoughby BMX Track by the Minister for Recreation and Sport.
- 10.2 The SWBMX Project has a high degree of alignment with National, South Australian, regional and CoM strategic management plans. The proposed SWBMX Project:
- 10.2.1 is identified as a Key Outcome in the CoM LTFP 2019-2029 and supports the CoM Strategic Plan 2019-2029 goal to have **"Attractive neighbourhoods with diverse urban development, vibrant community hubs, excellent sporting facilities, open spaces and playgrounds."**
  - 10.2.2 supports the State Government 30 Year Plan for Greater Adelaide through encouraging people to engage in active lifestyles and to have access to a diverse range of quality open spaces and sporting activities.
  - 10.2.3 is specifically identified in the State Government Office for Recreation, Sport and Racing Strategic Plan 2017-2021 to meet the goals of having international-standard sporting infrastructure, cross-governmental collaboration and investment in initiatives that promote participation in sporting activities.
  - 10.2.4 supports the national Department of Health objectives to encourage increased participation in sporting activities.
- 10.3 The proposed location for the SWBMX Project is within the Adelaide Hills Face Zone, which has defined development restrictions that are not consistent with building the proposed facility. However, given the design of the facility, the natural form of the track and the presence of large-sale structures within close proximity of the proposed location, in our view the site does not contravene the intention of the Hills Face Zone restrictions.
- 10.4 Economic analysis indicates that during the construction phase, there is an estimated \$13m increase in output and an additional 39 jobs. During the operational phase of the SWBMX Project, there is an estimated \$3m increase in output and an additional 15 jobs.
- 10.5 Community consultation and engagement on the proposed SWBMX Project has been undertaken consistent with the CoM Policy. This has included consultation with stakeholders that will use and operate the facility and with organisations within close proximity to the proposed location. According to the consultation, there is strong support for the proposed facility amongst the persons and community groups consulted.
- 10.6 Based on current Project cost estimates, there is a \$0.2 million capital cost funding shortfall (representing 3% of the Project cost). The CoM have advised that this shortfall will be managed through cost-saving efforts in the development phase. The costs must be actively managed to ensure that potential cost overruns do not place the Project completion at risk. There are adequate financial provisions in the 2019-20 Annual Business Plan and the Long



Term Financial Plan to meet the estimated ongoing operational costs while remaining within the targeted Key Financial Indicators set by the CoM.

- 10.7 A formal agreement will need to be put in place that confirms the CoO Council's resolution (19 November 2019) to fund 50% of the SWBMX Project operating costs, excluding capital renewal and depreciation costs.**
- 10.8** A thorough risk assessment has been performed and mitigating actions have been identified. All of the identified risks except one have a Medium risk rating after the implementation of mitigating controls. The highest risk identified with the proposed SWBMX Project is the risk of injury to inexperienced riders using the five and eight metre ramps. This risk will be managed through proper signage around the proposed facility and ensuring that advice on the appropriate level of insurance cover is obtained.
- 10.9** The design procurement, design, funding and stakeholder engagement will be managed by **CoM's internal Project Manager, with an external Project Manager / Supervisor engaged to manage the construction tender, construction and defects liability stages of the project.**
- 10.10** The SWBMX Project does not involve the sale or disposition of land.
- 10.11** We are of the view that Council has been provided with sufficient information to satisfy the requirements of Council's **Prudential Management Policy and Section 48 of the Local Government Act.**



## ATTACHMENT ONE - LOCAL GOVERNMENT ACT, 1999 – SECTION 48

### Section 48 – Prudential requirements for certain activities

- (aa1) A council must develop and maintain prudential management policies, practices and procedures for the assessment of projects to ensure that the council—
- (a) acts with due care, diligence and foresight; and
  - (b) identifies and manages risks associated with a project; and
  - (c) makes informed decisions; and
  - (d) is accountable for the use of council and other public resources.
- (a1) The prudential management policies, practices and procedures developed by the council for the purposes of subsection (aa1) must be consistent with any regulations made for the purposes of this section.
- (1) Without limiting subsection (aa1), a council must obtain and consider a report that addresses the prudential issues set out in subsection (2) before the council—
- (b) engages in any project (whether commercial or otherwise and including through a subsidiary or participation in a joint venture, trust, partnership or other similar body)—
    - (i) where the expected operating expenses calculated on an accrual basis of the council over the ensuing five years is likely to exceed 20 per cent of the council's average annual operating expenses over the previous five financial years (as shown in the council's financial statements); or
    - (ii) where the expected capital cost of the project over the ensuing five years is likely to exceed \$4 000 000 (indexed); or
    - (iii) where the council considers that it is necessary or appropriate.
- (2) The following are prudential issues for the purposes of subsection (1):
- (a) the relationship between the project and relevant strategic management plans;
  - (b) the objectives of the Development Plan in the area where the project is to occur;
  - (c) the expected contribution of the project to the economic development of the local area, the impact that the project may have on businesses carried on in the proximity and, if appropriate, how the project should be established in a way that ensures fair competition in the market place;
  - (d) the level of consultation with the local community, including contact with persons who may be affected by the project and the representations that have been made by them, and the means by which the community can influence or contribute to the project or its outcomes;
  - (e) if the project is intended to produce revenue, revenue projections and potential financial risks;
  - (f) the recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements;
  - (g) the financial viability of the project, and the short and longer term estimated net effect of the project on the financial position of the council;
  - (h) any risks associated with the project, and the steps that can be taken to manage, reduce or eliminate those risks (including by the provision of periodic reports to the chief executive officer and to the council);
  - (i) the most appropriate mechanisms or arrangements for carrying out the project;
  - (j) if the project involves the sale or disposition of land, the valuation of the land by a qualified valuer under the Land Valuers Act 1994.
- (3) A report is not required under subsection (1) in relation to—
- (a) road construction or maintenance; or
  - (b) drainage works.
- (4) A report under subsection (1) must be prepared by a person whom the council reasonably believes to be qualified to address the prudential issues set out in subsection (2).



City of Marion  
Sam Willoughby International BMX Track project

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- (4a) A report under subsection (1) must not be prepared by a person who has an interest in the relevant project (but may be prepared by a person who is an employee of the council).
- (4b) A council must give reasonable consideration to a report under subsection (1) (and must not delegate the requirement to do so under this subsection).
- (5) A report under subsection (1) must be available for public inspection at the principal office of the council once the council has made a decision on the relevant project (and may be available at an earlier time unless the council orders that the report be kept confidential until that time).
- (6) However, a council may take steps to prevent the disclosure of specific information in order to protect its commercial value or to avoid disclosing the financial affairs of a person (other than the council).
- (6a) For the purposes of subsection (4a), a person has an interest in a project if the person, or a person with whom the person is closely associated, would receive or have a reasonable expectation of receiving a direct or indirect pecuniary benefit or a non-pecuniary benefit or suffer or have a reasonable expectation of suffering a direct or indirect detriment or a non-pecuniary detriment if the project were to proceed.
- (6b) A person is closely associated with another person (the relevant person)—
- (a) if that person is a body corporate of which the relevant person is a director or a member of the governing body; or
  - (b) if that person is a proprietary company in which the relevant person is a shareholder; or
  - (c) if that person is a beneficiary under a trust or an object of a discretionary trust of which the relevant person is a trustee; or
  - (d) if that person is a partner of the relevant person; or
  - (e) if that person is the employer or an employee of the relevant person; or
  - (f) if that person is a person from whom the relevant person has received or might reasonably be expected to receive a fee, commission or other reward for providing professional or other services; or
  - (g) if that person is a relative of the relevant person.
- (6c) However, a person, or a person closely associated with another person, will not be regarded as having an interest in a matter—
- (a) by virtue only of the fact that the person—
    - (i) is a ratepayer, elector or resident in the area of the council; or
    - (ii) is a member of a non-profit association, other than where the person is a member of the governing body of the association or organisation; or
  - (b) in a prescribed circumstance.
- (6d) In this section, \$4 000 000 (indexed) means that that amount is to be adjusted for the purposes of this section on 1 January of each year, starting on 1 January 2011, by multiplying the amount by a proportion obtained by dividing the CPI for the September quarter of the immediately preceding year by the CPI for the September quarter, 2009.
- (6e) In this section—
- employee* of a council includes a person working for the council on a temporary basis;
- non-profit association* means a body (whether corporate or incorporated)—
- (a) that does not have as its principal object or 1 of its principal objects the carrying on of a trade or the making of a profit; and
  - (b) that is so constituted that its profits (if any) must be applied towards the purposes for which it is established and may not be distributed to its members.
- (7) The provisions of this section extend to subsidiaries as if a subsidiary were a council subject to any modifications, exclusions or additions prescribed by the regulations.



City of Marion  
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## ATTACHMENT TWO - 10 YEAR OPERATING COSTS

\$'000	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
<b>Operating Costs</b>										
Track Primer	(1.0)	(1.0)	(1.1)	(1.1)	(1.1)	(1.1)	(1.2)	(1.2)	(1.2)	(1.2)
Surface material / track maintenance	(15.0)	(15.4)	(15.8)	(16.2)	(16.6)	(17.0)	(17.4)	(17.8)	(18.3)	(18.7)
Other maintenance	(5.0)	(5.1)	(5.3)	(5.4)	(5.5)	(5.7)	(5.8)	(5.9)	(6.1)	(6.2)
Clubrooms	(5.0)	(5.1)	(5.3)	(5.4)	(5.5)	(5.7)	(5.8)	(5.9)	(6.1)	(6.2)
LED lights	(0.5)	(0.5)	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Start Gates	(0.5)	(0.5)	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Car park re-seal	-	-	-	(5.4)	-	-	-	-	(6.1)	-
<b>Total maintenance</b>	<b>(27.0)</b>	<b>(27.7)</b>	<b>(28.4)</b>	<b>(34.5)</b>	<b>(29.8)</b>	<b>(30.5)</b>	<b>(31.3)</b>	<b>(32.1)</b>	<b>(39.0)</b>	<b>(33.7)</b>
Clubrooms	(4.5)	(4.6)	(4.7)	(4.8)	(5.0)	(5.1)	(5.2)	(5.3)	(5.5)	(5.6)
Electricity	(7.5)	(7.7)	(7.9)	(8.1)	(8.3)	(8.5)	(8.7)	(8.9)	(9.1)	(9.4)
Water	(1.2)	(1.2)	(1.3)	(1.3)	(1.3)	(1.4)	(1.4)	(1.4)	(1.5)	(1.5)
<b>Total Operating costs (excl. depreciation / renewal)</b>	<b>(40.2)</b>	<b>(41.2)</b>	<b>(42.2)</b>	<b>(48.7)</b>	<b>(44.4)</b>	<b>(45.5)</b>	<b>(46.6)</b>	<b>(47.8)</b>	<b>(55.1)</b>	<b>(50.2)</b>
<b>Cost Contribution</b>										
City of Marion	12.5	12.8	13.1	16.2	13.8	14.1	14.5	14.9	18.3	12.5
City of Onkaparinga	12.5	12.8	13.1	16.2	13.8	14.1	14.5	14.9	18.3	12.5
State Government	-	-	-	-	-	-	-	-	-	-
BMX Clubs	15.2	15.6	16.0	16.4	16.8	17.2	17.6	18.1	18.5	15.2
<b>Total Cost Contribution</b>	<b>40.2</b>	<b>41.2</b>	<b>42.2</b>	<b>48.7</b>	<b>44.4</b>	<b>45.5</b>	<b>46.6</b>	<b>47.8</b>	<b>55.1</b>	<b>50.2</b>
Depreciation / Capital Renewal	(175.9)	(180.3)	(184.8)	(189.4)	(194.2)	(199.0)	(204.0)	(209.1)	(214.3)	(219.7)

An inflation rate of 2.50% has been applied throughout the forecasts, consistent with the rate used by the CoM.

## Southern Football Facility - Prudential Report

<b>Originating Officer</b>	Project Manager Strategic Projects - Carla Zub
<b>Corporate Manager</b>	Manager City Activation - Greg Salmon
<b>General Manager</b>	General Manager City Development - Ilia Houridis
<b>Report Reference</b>	FAC200225R05

### REPORT OBJECTIVE

To provide a draft Section 48 Prudential Report prepared for the development of a Southern Football (Soccer) Facility to the Finance and Audit Committee (the Committee) for review.

### EXECUTIVE SUMMARY

Over the last two years, the City of Marion (CoM) has continued to work with Football South Australia (FSA) to deliver the Southern Football (soccer) facility on Majors Road, O'Halloran Hill. The new facility is to become the home of The Cove Football (soccer) Club (the Club).

Due to the complexity of the project and potential operating financial constraints on the Club by the FSA, Council has resolved to lead the delivery the Southern Football Facility and will own the asset at completion with a long term lease over the land. The Club will lease the facility from Council in accordance with its leasing and licensing policy.

The \$7 million jointly funded project between Council and the State Government (\$4.5 million and \$2.5 million respectively) will deliver a new facility comprising of three natural turf pitches, clubroom, pitch lighting, associated infrastructure, and on site car parking for over 250 vehicles.

The Prudential Report has been prepared in accordance with Section 48 of the Local Government Act 1999. The Act requires Council to consider a report addressing a number of prudential issues prior to commencing a major project where the expected capital cost is likely to exceed \$4 million over the ensuing 5 years.

This review of the Section 48 Report (refer to Attachment One) by the Committee will contribute to the process of evaluating the Southern Football Facility project against the requirements of the Act.

The draft Section 48 report examines the project's compatibility with relevant strategic plans and:

- potential impact on the local economy;
- consultation that has been undertaken with the Clubs and surrounding community;
- financial implications, viability and sustainability of the project both in short and long term; and
- potential risks arising from the project and the proposed strategies to manage those risks.

Advice is sought from the Committee prior to the report being referred to Council on 10 March 2020 on the draft Section 48 Prudential Report and the delivery of the Southern Football Facility.

### RECOMMENDATION

**That the Finance and Audit Committee:**

1. **Provides feedback as to whether the Section 48 Prudential Report addresses the requirements under the *Local Government Act 1999*.**
2. **Endorses the draft Section 48 Prudential Report with any supporting advice or commentary for consideration and approval by General Council.**

## **GENERAL ANALYSIS**

### **BACKGROUND**

Since the State Government's commitment to the development of a football facility in Southern Adelaide, the City of Marion (CoM) has worked with FSA to develop the project, with the facility to become the home of Cove Football (Soccer) Club.

The site for the facility was identified as the parcel of land on the corner of Majors and Adams Roads, O'Halloran Hill (Crown Land under the custodian of the Minister for Environment and Water) and to comprise of a clubroom, two artificial pitches, car parking and lighting.

The initial funding commitment was \$2.5 million from the State Government, through the FSA, with the CoM to match the \$2.5 million, bringing the total project budget to \$5 million.

At the General Council meeting on 23 April 2019, Council considered the progress of the Southern Football Facility and the potential funding pressures on the project budget and future operating model should FSA deliver two artificial pitches at the proposed Majors Road site.

Value management options were explored following this meeting. This included delivery of natural grass turf pitches based on engineering advice that natural grass pitches would be less problematic than synthetic pitches given the reactive soil conditions at Majors Road. A three pitch (natural grass turf) facility would cater for the Club's participation base (capacity of natural grass pitches is far less than synthetic surfaces). The initial cost estimate for natural turf pitches determined that the facility would cost approximately \$7 million exclusive of GST.

From the commencement of the project, the intent had been for the FSA to deliver and operate the Southern Football Facility with CoM to be a funding partner and act as a conduit between the Club and the FSA. This model has been used by the FSA at other Council sites across Adelaide. Due to lengthy delays, the complexity of the site, and the proposed FSA operating model, the CoM at its Special Council meeting on 25 November 2019, resolved to take the lead role in bringing the facility to fruition. FSA will take an active role as a member on the Project Control Group to ensure the facility meets the requirements of the peak body. Council also resolved to contribute an additional \$2 million (increasing its contribution to \$4 million) bringing the total project budget to \$7 million.

With CoM now to deliver and own the new facility, it will lease the land from the Minister for Environment and Water with the facility to be subleased to the Club. This enables the Club to operate the facility in accordance with Council's Leasing and Licensing Policy; making it a viable financial model for the Club.

### **DISCUSSION**

The \$7 million Southern Football Facility will include the following elements (refer Attachment 2 for site layout):

- Three natural turf pitches (design provision for future fourth pitch) and associated infrastructure.
- Pitch lighting and fencing
- Four change rooms with associated amenities with direct access to two pitches
- Referee amenities
- Bar, Canteen and Kitchen facilities including cool room and dry store
- Function/meeting room of approx. 110sqm
- First aid, massage room, officials room
- Public amenities including DDA compliant amenities
- Security, PA system and ICT infrastructure
- Provision of bicycle racks
- Environmentally sustainable initiatives including solar panels
- Car parking for over 250 vehicles.



Council has committed \$4,500,000 towards the project with Council provisioning \$2,500,000 within its 2019/20 and \$2,000,000 in 2020/21 Annual Budgets. The report finds that the operating and capital renewal costs can be afforded by Council. There is no current provision in the current Long Term Financial Plan (LTFP) and these costs will need to be provided for in the next version of the LTFP.

On 31 January 2020, the FSA committed to working with the State Government for the transfer of the remaining balance of the \$2,500,000 (being \$2,392,380) to the CoM. The money expended to date by the FSA has been for design and documentation that can be used by Council. CoM will work with the Office for Recreation, Sport and Racing (ORSR) to finalise the new funding deed with the parties. CoM will commence reporting to ORSR on the project's progress.

Going forward, the CoM will lead the delivery of the project and the contracting party for all consultants and, subject to Council approval to proceed to detailed design and construction, the CoM will also be the contracting party for engaging the contractor to build the Southern Football Facility.

The next step of the project is the preparation of the Prudential report. The Prudential report has been prepared to demonstrate good governance and prudential management practice and to ensure transparency in Council's activities and specific responsibilities, benefits and risks and whole of life costs associated with the Southern Football project. The report addresses these prudential issues in detail relating to the proposed Council contribution of \$4,500,000 of capital expenditure to this capital project as well as the required ongoing contribution of operational, maintenance and renewal expenditure to its ongoing operation.

## **DRAFT SECTION 48 PRUDENTIAL MANAGEMENT REPORT**

Section 48 of the *Local Government Act 1999* (the 'Act') requires Council to consider a report for any project where the expected capital cost is likely to exceed \$4,000,000 over the ensuing 5 years and addresses a number of key prudential issues. The report is attached for review and feedback from Council's Finance and Audit Committee. In particular feedback is sought on the financial viability and sustainability of the project.

### **Review of the relationship between the project and the relevant strategic management plans**

Section 2 of the Section 48 Report discusses the relationship between the project and the relevant strategic management plans.

### **Review of the Development Plan in the area**

Section 3 of the Section 48 Report discusses the Development Plan in the area.

The Southern Football Facility has not yet received Development Approval under the Marion Council Development Plan. The site is located within the Hills Face Zone and an application will be lodged seeking approval once the final scope of the project is determined. Department of Environment and Water, as custodian of the land, will provide a letter of support for the development.

### **Review of the expected contribution of the project to economic development**

Section 4 of the Section 48 Report discusses the expected contribution of the project to economic development.

The Project will also advance the economic development in the Marion area, and more broadly in Southern Adelaide, and provide wider economic impacts for the economy, delivering tangible economic benefits to the community.

It should be noted that project will generate 46 jobs during construction and will generate a total economic impact of \$24.2 million. Following completion of construction, the impact of the new facility is expected to have a positive impact on local businesses both within Hallett Cove and O'Halloran Hill.

As there isn't a similar facility within the area and an existing club is relocating to new premises, there will be no adverse effects of new competition within the local area.

### **Review of the level of consultation with the local community**

Section 5 of the Section 48 Report discusses the review of the level of consultation with the local community.

The Project has been the subject of involvement, consultation and commitment of the FSA and the Club. Consultation for the project has been undertaken consistent with the CoM Community Consultation Policy.

As the project location is within the O'Halloran Hill Recreation Park and the greater area of Glenthorne Park, the DEW has been a member on the project control group. This has enabled the project scope to be developed to achieve the sustainability and environment targets sought by the department.

### **Review of the Financial Assessment**

Section 6 of the Section 48 Report discusses the business needs analysis, the project's intention to produce revenue, revenue projections and potential financial risks. It also considers the recurrent and whole of life costs and financial viability.

The Cove Football Club will lease the new facility from the CoM in accordance with Council's Leasing and Licensing policy. It is envisaged that Council will maintain the structural components of the asset at completion with the club to pay operating costs such as utilities, cleaning and maintain the specialised infrastructure.

The annualised cash costs are estimated to be \$98,200 comprising \$44,200 in maintenance, and \$49,500 in grounds water cost and \$4,500 in other operating costs. This includes increased maintenance costs for the turf pitches with the Club only required to pay 10% of the total water consumption costs.

Depreciation, and thus a reasonable allowance for capital renewal, is calculated in accordance with Australian Accounting Standards, with the estimate depreciation/ renewal forecast in the order of \$280,000 per annum.

### **Review of risk management**

A risk register has been prepared on the project. Strategies have been identified to mitigate or manage the risks identified. Risks will be actively managed throughout the project and will be formally reviewed by the Project Control Group on a monthly basis.

The risk assessment demonstrates that the project's inherent risks are within expected limits of a project of this scale. CoM has outlined appropriate mitigation strategies to lower the inherent risks and these are detailed in the risk register. Section 7 of the Section 48 Report discusses project risk.

A significant risk that needs to be resolved, is the transfer of the State Government funding to the CoM. Whilst FSA Board's has committed to the transfer, it is subject to the approval of the Minister for Recreation, Sport and Racing and a new agreement being reached between ORSR and CoM. This work has been triggered and given both parties have extensive experience in negotiating agreements, it is anticipated that it will be resolved as a matter of urgency.

An immediate risk is the project delivery costs exceeding the \$7 million budget. CoM has engaged cost manager's Rider Levett Bucknall to oversee the cost management of the project. CoM and the consultancy team will work through value management options should cost pressures arise. With Council resolving to increase the budget and deliver natural turf pitches, it is anticipated that the costs associated with addressing the reactive soils will reduce.

### Review of the appropriate mechanisms and arrangements for carrying out the project

Section 8 of the Section 48 Report discusses the appropriate mechanisms and arrangements for carrying out the project.

## PROJECT SCHEDULE

Phase 1: Review Concept Design	January 2020
Phase 2: Design Development and Development Planning Consent	March - May 2020
Phase 3: Detailed Design and Documentation, Building Rules Consent	April - July 2020
Procure Superintendent _	May 2020
Phase 4: Tender	July - September 2020
Phase 5: Construction	November 2020 - June 2020
Phase 6: Defects Liability Period	June 2020 – June 2021

## CONCLUSION

The draft Section 48 Report demonstrates that the City of Marion has capacity to deliver the Southern Football facility on Majors Road, O'Halloran Hill with the key management strategies for the future operation of the facility.

Risks for the project have been identified and strategies to mitigate, or minimise, those risks have been developed.

Feedback and comments are sought from the Finance and Audit Committee on the Prudential Report which will be considered at the General Council meeting on 10 March 2020.

## Attachment

#	Attachment	Type
1	Attachment 1 - Southern Football (Soccer) Facility Prudential Report Final	PDF File
2	Attachment 2 - Southern Football (Soccer) Layout	PDF File



City of Marion

Section 48 Prudential Report

Southern Soccer Facility

February 2020  
Final



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## EXECUTIVE SUMMARY

### Purpose

The following report has been prepared in accordance with the requirements of the City of Marion Prudential Management Policy and Section 48 of the Local Government Act 1999 which requires a Council to consider a report addressing the prudential issues set out in Section 48 subsection 2 of the Act before engaging in a major project. The purpose of a Prudential Report is to ensure the Elected Members have the necessary information to enable an informed decision whether or not to proceed with a project.

### The Project

**The Project is the development of a soccer facility at Majors Road, O'Halloran Hill which will be** comprised of three natural turf soccer pitches, with capacity to add one additional natural turf soccer pitch, a clubroom, grandstand, car parking, lighting and utilities.

The upfront capital cost of the Project is estimated to be \$7.0 million. Ongoing annual operating costs of \$98,200k (indexed and excluding capital renewal of \$280,000) are estimated. The facility will be co-funded by the State Government and the City of Marion.

### Prudential Review Issues and Findings

In our view, the CoM has acted with due care, diligence and foresight in planning the Project and, **to date, Council has been provided with sufficient information to satisfy the requirements of Council's** Prudential Management Policy and Section 48 of the Local Government Act. We specifically note the following.

- **There is strong alignment between CoM's key strategic planning documents and the Project** which is specifically identified within these as a key project to progress.
- **Development approval for the proposed O'Halloran Hill site will be required before** construction commences. While the Majors Road site falls within the Adelaide Hills Face Zone, we do not believe that the proposed design contravenes the intentions of the Hills Face Zone restrictions.
- The CoM is working with estimators Rider Levett Bucknall to finalise capital costs for the facility currently estimated to be \$7.0 million.
- The economic impact analysis conducted has identified that there would be economic benefits arising from the construction of the soccer facility that would outweigh the upfront capital investment costs.
- Community consultation has commenced with key stakeholders, and with persons and communities located within the proximity of the proposed location. Among the persons and communities consulted there is support for the Project.
- The whole-of-life costing shows that the facility can be operated and maintained within the **CoM's current** funding availability, as identified in the CoM Long Term Financial Plan 2019-2029.
- A risk register has been compiled with mitigating actions identified to reduce the risk rating **of all risks to a 'Medium' rating.**



## 1. INTRODUCTION

### 1.1 Background

- 1.1.1 The City of Marion (CoM) provides sport and recreation facilities that support an active and connected community. There is a need to ensure that the large number of sport and recreation facilities are planned to respond to the future needs of the community.
- 1.1.2 In 2017, the State Government announced \$10 million funding towards Football South Australia (FSA) delivering of 6 football (soccer) facilities across Adelaide including \$2.5 million for a new southern facility to be developed on the Crown land, owned by the **Department of Environment and Water (DEW) at Majors Road, O'Halloran Hill.**
- 1.1.3 The CoM provided in principle support to develop a soccer facility with a funding commitment of \$2.5 million made at the 24th May 2016 General Council meeting.
- 1.1.4 Since the 2017 announcement the CoM has worked with the FSA for the delivery of a new football facility within Southern Adelaide with the facility to become the home of Cove Football (Soccer) Club (the Club).
- 1.1.5 At the General Council meeting on 23 April 2019 (GC190423F01), Council considered the progress of the southern soccer facility and the potential funding pressures on the project budget and future operating model should the Football Federation deliver two artificial pitches at the proposed Majors Road site.
- 1.1.6 Following this meeting, value management options for the delivery of soccer on Majors Road were explored. This included delivery of natural grass turf pitches based on engineering advice that natural grass pitches would be less problematic on the poor soil conditions at Majors Road. A three pitch (natural grass turf) facility would cater for the **Club's** participation base (capacity of natural grass pitches is far less than synthetic surfaces).
- 1.1.7 From the commencement of the southern soccer facility project, the intent was for the FSA to deliver and own the southern facility with the CoM to be a funding partner and act as a conduit between the Club and the FSA. However, due to the complexity of the Majors Road site and future operating model, the CoM determined to take ownership of the asset and the lead role in bringing the facility to fruition, with the FSA taking an active role as a member on the Project Control Group to ensure the facility meets the requirements of the peak body.
- 1.1.8 Due to delays in the delivery of the project, at the Special General Council Meeting held on 25th November 2019 (SGC191125F01), Council resolved to invest in the delivery of three turf football pitches and supporting clubroom facility at the Majors Road site at O'Halloran Hill. **Specifically, the Council resolution included:**

***"Endorse Administration to take the lead in the project delivery of the Southern Soccer facility at Majors Road and negotiate this transfer of lead with the Football Federation South Australia and the State Government.***

*Endorse Administration to proceed with the delivery of Southern Soccer facility at Majors Road with:*





- a. *three natural turf soccer pitches at a cost of \$7,000,000 GST exclusive;*
- b. *development of the site to allow capacity for future development of one additional natural turf soccer pitches;*
- c. *commit additional funding of \$2,000,000 from Council's reserve towards the Southern Soccer Project increasing Council's funding contribution from \$2,500,000 to \$4,500,000 subject to the transfer of the Football Federation of South Australia's funding of \$2,500,000 to the City of Marion.*
- d. *Council writes to the Cove Football Club (soccer) seeking their interest as a future lease holder of the proposed new facility at Majors Road. (Noting that the Cove Football Clubs new licence agreement at the Cove Community and Sports Club could include provision for termination once the new southern soccer facility is complete if required).*

*Endorse Council and the State Government entering into a funding Deed for the delivery of the project at Majors Road.*

*Note that the forecast operating expenditure for three pitches is \$382,171 per annum (\$102,171 operating and maintenance; \$280,000 depreciation)."*

- 1.1.9 The funding deed is currently being resolved between Office for Recreation, Sport and Racing and is anticipated that it will state that construction is to commence no later than 31 December 2020 and be completed by 31 December 2021.

## 1.2 The Project

- 1.2.1 The Project is the \$7.0 million development of a soccer facility at Majors Road, **O'Halloran Hill** which will be comprised of three natural turf soccer pitches, with capacity to add one additional natural turf soccer pitch, a clubroom, car parking, lighting and utilities.

## 1.3 Rationale for the Project

- 1.3.1 The CoM is committed to providing sport and recreation facilities that support an active and connected community. Working with the State government, the CoM has identified the need for a major soccer facility in the southern suburbs.
- 1.3.2 This will support the growth in soccer participation rates in the area and enable the existing Cove FC, which currently has junior and senior teams based at separate locations in Hallett Cove, to consolidate their activities and operate from one site with opportunity for further growth.

## 1.4 Legal Framework and Prudential Issues

- 1.4.1 The Local Government Act 1999 (Act) Section 48 states that:

*"a council must develop and maintain prudential management policies, practices and procedures for the assessment of projects to ensure that the council —*



- (a) *acts with due care, diligence and foresight; and*
- (b) *identifies and manages risks associated with a project; and*
- (c) *makes informed decisions; and*
- (d) *is accountable **for the use of council and other public resources.***

1.4.2 The CoM has adopted a Prudential Management Policy which satisfies the requirements of the Act. Under the Policy, the preparation of a Prudential Report is the highest level and most thorough type of due diligence report required for the purposes of the Policy.

1.4.3 The Prudential Management Policy and the Act 1999 require Council to consider a report addressing the prudential issues set out in subsection 2 of Section 48 when a project meets certain criteria, specified in (1) (b), namely where a council:

- (b) *engages in any project (whether commercial or otherwise and including through a subsidiary or participation in a joint venture, trust, partnership or other similar body)—*
  - (i) *where the expected operating expenses calculated on an accrual basis of the council over the ensuing five years is likely to exceed 20 per cent of the council's average annual operating expenses over the previous five financial years (as shown in the council's financial statements); or*
  - (ii) *where the expected capital cost of the project over the ensuing five years is likely to exceed \$4 000 000 (indexed); or.*
  - (iii) *where the council considers that it is necessary or appropriate.*

1.4.4 The prudential issues set out Section 48 of the Act are reproduced in full in Attachment One.

1.4.5 We note that the indexed value of the \$4.00 million threshold identified in Section 48 (1) (b) (ii) is \$4.888 million as at the date of this report.

1.4.6 As the Project has a capital value greater than \$4.888 million, we have been engaged to prepare a report to satisfy the requirements of Section 48 of the Act and the Prudential Management Policy.

1.4.7 Following consideration of this Prudential Report by Council, the CoM should ensure that the Report is made available to members of the public in accordance with the Act.



## 2. RELATIONSHIP WITH STRATEGIC MANAGEMENT PLANS

*Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):*

*(a) the relationship between the project and relevant strategic management plans;*

### 2.1 Relevant Strategic Management Plans

**2.1.1** Section 122 of the Act requires a Council to develop and adopt strategic management plans; **these are required to incorporate the extent to which a Council's objectives are** related to regional, state and national objectives.

**2.1.2** For the purposes of this report the relationship between the Project and the following plans are considered relevant.

#### 2.1.2.1 City of Marion

- Community Vision - Towards 2040;
- Strategic Plan 2019-2029;
- City of Marion Business Plan 2019-2023;
- Annual Business Plan and Budget 2019-2020;
- Long Term Financial Plan 2019-2029; and
- Asset Management Plans.

#### 2.1.2.2 Regional

- No relevant regional plans were noted.

#### 2.1.2.3 South Australian State Government

- 30 Year Plan for Greater Adelaide;
- Office for Recreation, Sport and Racing Strategic Plan 2017 to 2021;
- Department for Environment and Water People and Parks Strategy; and
- 20-Year State Infrastructure Strategy (currently in development).

#### 2.1.2.4 National

- Sport 2030.



## 2.1 City of Marion Plans

### 2.1.1 City of Marion Community Vision – Towards 2040

2.1.1.1 The City of Marion Community Vision - Towards 2040 was endorsed by Council in December 2013 to shape the future of the Marion community for 25 years.

2.1.1.2 The CoM's stated vision is as follows.

*"A community that is Liveable, Valuing Nature, Engaged, Prosperous, Innovative and Connected".*

2.1.1.3 The Project will provide enhanced lifestyle opportunities for the community through increased recreational space and therefore aligns with the Liveable goal of the Vision.

### 2.1.2 City of Marion Strategic Plan 2019-2029

2.1.2.1 **To ensure Council's activities contribute to the Community Vision** – Towards 2040, the Council adopted the Strategic Plan 2019-2029 which provides a **10 year roadmap of the CoM's Purpose, Vision, Values, Goals, Challenges and Opportunities, Objectives and Strategies.**

2.1.2.2 The CoM Community Vision - Towards 2040 has six themes that are to be progressed in the Strategic Plan 2019–2029 through the following 10 year goals.

- Goal 1 – Liveable – Attractive neighbourhoods with diverse urban development, vibrant community hubs, excellent sporting facilities, open spaces and playgrounds.
- Goal 2 – Valuing Nature – Improve stormwater management, increase energy efficiency, promote biodiversity and improve opportunities for people to play in open spaces and interact with nature.
- Goal 3 – Engaged – Community will feel engaged and empowered to influence the improvement in their own neighbourhood.
- Goal 4 – Innovate – Constantly ready to adapt to technological advances and be better and quicker at sharing relevant information.
- Goal 5 – Prosperous – Realisation of the full potential of the Tonsley Precinct and other key commercial – industrial – retail zones.
- Goal 6 – Connected - Easier and safer to move around the city which will have accessible services and plenty of walking and cycling paths. New technology and community facilities to better connect the community.



- 2.1.2.3 The Liveable goal contains two specific strategies that are considered strongly aligned to the Project:

*"L1 We will make our services, facilities and open spaces more accessible.*

*L2 We will create more opportunities for residents to enjoy recreation and social interaction in our neighbourhood centres, libraries, sports facilities and other Council facilities."*

2.1.3 City of Marion Business Plan 2019-2023

- 2.1.3.1 The CoM Business Plan explains the projects and programs Council will deliver over a four **year period to develop a city in line with community's** wishes.
- 2.1.3.2 The Liveable goal in the Business Plan is "Communities that are safe and inclusive, embracing **active living, and healthy lifestyles**".
- 2.1.3.3 The alignment of the Project is demonstrated by the inclusion of "Deliver a **Southern Soccer Facility**" in the 19/20 and 20/21 Projects within the Business Plan.

2.1.4 Annual Business Plan

- 2.1.4.1 The Annual Business Plan outlines how Council plans to allocate its budget and what services and projects will be developed in the forthcoming **financial year, so that CoM can progress the community's aspirations in the City of Marion Community Vision - 'Towards 2040' and the goals in the 10-year Strategic Plan 2019-2029.**
- 2.1.4.2 The Annual Business Plan links the overarching long term Strategic Plan with the budget, service delivery and rate levels for the current financial year.
- 2.1.4.3 The Project is specifically identified as a strategic priority in the Annual Business Plan 2019-20, further evidencing the strong alignment of the Project with CoM strategic management plans.

2.1.5 Long-Term Financial Plan

- 2.1.5.1 The CoM Long Term Financial Plan 2019-2029 (LTFP) is a tool to assist in **determining Council's long-term** financial sustainability by projecting the financial impact of any known decisions and to provide guidance on the parameters to use when developing future budgets.
- 2.1.5.2 The Project is identified as a key outcome in the LTFP.



- 2.1.5.3** The current LTFP includes the provision of \$2.5 million in capital costs (with \$2.5 million of external funding). Council has resolved and has capacity to provide for an additional \$2.0 million in Project funding in the 2020-2030 LTFP and will also need to provide for the ongoing Project operating costs and capital renewal.

**2.1.6** Asset Management Plans

- 2.1.6.1** The CoM owns and manages a diverse portfolio of assets, valued in excess of \$1 billion. These assets exist in order to provide services to the community.
- 2.1.6.2** The CoM undertakes a comprehensive asset management planning process to ensure the delivery of services from infrastructure is provided in a financially sustainable manner. This is reflected in detailed asset management plans, which are maintained for various asset classes.
- 2.1.6.3** Provisions are included in the CoM Asset Management Plan for the existing Cove FC senior and junior playing fields, which will need to be reviewed once a decision is taken on the future use of the respective sites. For the purposes of this Project, the future use of The Cove FC existing playing fields has not been considered.
- 2.1.6.4** The assets created through the Project will impact the Asset Management Plans for Buildings and Open Space. Future versions of these Plans will need to be updated to reflect the Project.

**2.2** Regional Objectives

- 2.2.1** There are no relevant regional objectives.

**2.3** South Australian State Objectives

The South Australian State objectives with respect to sport and recreation are articulated in a number of plans and by various agencies, the alignment of the Project with these plans is detailed below.

**2.3.1** 30 Year Plan for Greater Adelaide

- 2.3.1.1** The State Government's broad vision for sustainable land use and the built development of the state is outlined in the Planning Strategy. The relevant volume of the Planning Strategy is the 30-Year Plan for Greater Adelaide (2017 Update).
- 2.3.1.2** The 30 Year Plan (2017 Update) focuses on six key pillars, these are:
- (a) Containing our Urban Footprint;
  - (b) More Ways to Get Around;
  - (c) Getting Active;



- (d) Walkable Neighbourhoods;
- (e) A Green Liveable City; and
- (f) Greater Housing Choices.

2.3.1.3 The Project is aligned to the Getting Active and A Green Liveable City pillars of the 30 Year Plan.

2.3.1.4 One of the targets in the Green Liveable City pillar includes ensuring that Adelaide provides its residents with a diverse range of quality open spaces **and places and notes that 'participating in sports and clubs also provides a valuable vehicle for social support and cohesion in our community'.**

2.3.1.5 The Project supports the growth of the sport in the region and provides a vehicle for CoM residents to engage with community activities and sports which help encourage active lifestyles.

2.3.1.6 The proposed investment in the Project is aligned with the 30 Year Plan for Greater Adelaide.

## 2.3.2 Office for Recreation, Sport and Racing 2017-2021 Strategic Plan

2.3.2.1 The State Government Office for Recreation, Sport and Racing Strategic Plan 2017 – **2021, articulates a vision of "an active State" where sport and recreation activities develop stronger, healthier and happier communities.**

2.3.2.2 The Project will provide increased and enhanced opportunities to progress **the Office for Recreation, Sport and Racing's vision.**

2.3.2.3 The following strategies in the Strategic Plan will be advanced by the Project.

- (a) Plan and develop local, state, national and international standard sport and recreation infrastructure to meet government and community outcomes;
- (b) Collaborate across government to develop and co-invest in local and regional facilities that meet the needs of sport, recreation and the community.
- (c) Invest in people, projects and initiatives that increase access and opportunities to participate in sport and recreation.

2.3.2.4 The Project is considered to be closely aligned to the strategic priorities identified in the State Government Office for Recreation, Sport and Racing Strategic Plan 2017-2021.



### 2.3.3 Department for Environment and Water People and Parks Strategy

**2.3.3.1 The State Government's objective for People and Parks is 'the encouragement of public use and enjoyment of reserves and education in, and proper understanding and recognition of, their purpose and significance'. The goals are:**

- (a) Enriching our lives;
- (b) Enhancing parks;
- (c) Shared stewardship for parks; and
- (d) Growing community benefits and prosperity.

**2.3.3.2** The Project supports all of these goals, by providing a facility that supports **healthy living, enhances the facilities of the O'Halloran Hill Recreation Park,** involves community groups in the operation of the Park and generates benefits for the wider community.

**2.3.4** The 20-Year State Infrastructure Strategy is currently in development by Infrastructure SA and is expected to be available in early 2020.

## 2.4 National Objectives

**2.4.1 Sport 2030 is the Australian Government's vision and the plan for sport and physical activity in Australia over the next 12 years to be delivered in partnership with Australia's sporting, physical activity, technology, education and corporate community.**

**2.4.2 Sport 2030 is Australia's first national sport plan and articulates the following strategic priorities:**

- 2.4.2.1** Build a more active Australia — More Australians, more active, more often;
- 2.4.2.2** Achieving sporting excellence — National pride, inspiration and motivation through international sporting success;
- 2.4.2.3** Safeguarding the integrity of sport — A fair, safe and strong sport sector free from corruption; and
- 2.4.2.4** **Strengthening Australia's sport industry** — A thriving Australian sport and recreation industry.

**2.4.3** The Department of Health, which administers the Australian Sports Commission Act 1989 is committed to, amongst other things, encouraging increased participation by Australians in sport and providing resources, and facilities to enable Australians to pursue sport whilst also furthering their educational and vocational skills and other aspects of their personal development.





- 2.4.4** In June 2011, Commonwealth, State and Territory Sport Ministers agreed to establish the first National Sport and Active Recreation Policy Framework (the Framework) to help guide the development of sports policy across Australia. The Framework provides a mechanism for the achievement of national goals for sport and active recreation and sets out the agreed roles and responsibilities of governments and their expectations of sport and active recreation partners.
- 2.4.5** The Framework outlines Commonwealth, State and Territory Government Expectations of Other Stakeholders including Regional and Local Government, as follows:
- 2.4.5.1** Facilitating a strategic approach to the provision of sporting and active recreation infrastructure including open space, and other needs.
  - 2.4.5.2** Establishing local management and access policies to sport and recreation facilities.
  - 2.4.5.3** Supporting and coordinating local and regional service providers (venues and programs).
  - 2.4.5.4** Liaising and partnering with state and territory governments on targeted program delivery.
  - 2.4.5.5** Supporting and partnering with non-government organisations that enable sport and active recreation participation.
  - 2.4.5.6** Incorporating sport and recreation development and participation opportunities in Council plans.
  - 2.4.5.7** Collaborating, engaging and partnering across government departments on shared Policy agendas.
  - 2.4.5.8** Investment in sport and active recreation infrastructure.
- 2.4.6** The Project supports Sport 2030, the objectives of the Act and is consistent with the Framework through improved and increased sports and recreation facilities.



### 3. OBJECTIVES OF THE DEVELOPMENT PLAN

*Local Government Act, Section 48 (2) the following are prudential issues for the purposes of subsection (1):*

*(b) the objectives of the Development Plan in the area where the project is to occur;*

#### 3.1 Development Approval

- 3.1.1 Development in CoM is governed by the Development Plan – Marion Council, pursuant to Section 33 of the Development Act 1993 and the associated Development Regulations 2008. The current version of the Development plan is dated as consolidated on 15 August 2019.
- 3.1.2 The Development Plan outlines what sort of developments and land use are and are not envisaged for particular zones and various objectives, principles and policies controlling the nature of proposed developments. As such, the Development Plan covers matters including zoning issues, building appearance and neighbourhood character, land division, building siting and setbacks and environmental guidelines.
- 3.1.3 The proposed site for the Project, bounded by the Majors Road to the North and **Adams Road to the East, is located within the O'Halloran Hill Recreation Park, which** is Crown Land under the care and control of the Department of Environment and Water (DEW).
- 3.1.4 To develop on the proposed site, the CoM will require the approval of the Minister for Environment and Water.
- 3.1.5 **The Project involves works which are defined as “development” under the Development Act 1993.**
- 3.1.6 Development approval has yet to be obtained by Council, and is a prerequisite for the Project to proceed.
- 3.1.7 The CoM intends to seek Development approval once Council has resolved to implement the Project.

#### 3.2 Development Zone

- 3.2.1 The proposed location for the Project is within the Hills Face Zone, which is a zone in which the natural character is preserved and enhanced or re-established in order to:
  - 3.2.1.1 provide a natural backdrop to the Adelaide Plain and a contrast to the urban area;
  - 3.2.1.2 preserve biodiversity and restore locally indigenous vegetation and fauna habitats close to metropolitan Adelaide;
  - 3.2.1.3 provide for passive recreation in an area of natural character close to the metropolitan area;



- 3.2.1.4 provide a part of the buffer area between metropolitan districts and prevent the urban area extending into the western slopes of the Mount Lofty Ranges; and
  - 3.2.1.5 ensure that the community is not required to bear the cost of providing services to and within the zone.
- 3.2.2 Within the Hills Face Zone, structures must be designed in such a way as to:
  - 3.2.2.1 preserve and enhance the natural character or assist in the re-establishment of a natural character in the zone;
  - 3.2.2.2 limit the visual intrusion of development in the zone, particularly when viewed from roads within the zone or from the Adelaide Plain;
  - 3.2.2.3 not create, either in themselves, or in association with other developments, a potential demand for the provision of services at a cost to the community; and
  - 3.2.2.4 prevent the loss of life and property resulting from bushfires.
- 3.2.3 The proposed Project is not inconsistent with the objectives of the Hills Face Zone. The playing fields will provide a natural backdrop to the Adelaide Plain and the car park and building structures will not be significant compared to other structures within a reasonable proximity to the proposed site. Included within a short distance of the proposed site is:
  - 3.2.3.1 **the O'Halloran Hill Recreation Park;**
  - 3.2.3.2 a shooting and archery club;
  - 3.2.3.3 the seven-lane Southern Expressway;
  - 3.2.3.4 an equestrian facility, comprising a very large industrial building;
  - 3.2.3.5 a rural property;
  - 3.2.3.6 a school located at the former TAFE complex consisting of several large buildings;
  - 3.2.3.7 a former drive-in movie site with a large disused screen;
  - 3.2.3.8 a golf driving range; and
  - 3.2.3.9 the proposed Sam Willoughby BMX Track.



### 3.3 Approving Authority

- 3.3.1 The City of Marion acts as a planning authority under the Development Act. This role **is different from the Council's role of governing** the community under the Local Government Act.
- 3.3.2 For most applications, the Council has delegated its power as the planning authority to staff in the Development Services Division (i.e. staff will assess and make decisions on most Development Applications). Development Applications that are not dealt with by staff under delegated authority are determined by the Council Assessment Panel (CAP). The CAP is made up of a combination of Elected Members and independent professionals appointed by the Council.
- 3.3.3 The CoM will be required to lodge a Development Application with the City of Marion and the following process will occur.
  - 3.3.3.1 Lodgement of all applicable plans and documentation and submission of a **'Statement of Support'**.
  - 3.3.3.2 Once CoM staff resolve to process the application, a Statement of Effect must be produced by the applicant, which following receipt, will progress the application to Category 3 public notification and referral to applicable government agencies.
  - 3.3.3.3 Following the close of the public notification process, a planning assessment will be undertaken with any outstanding matters being sought to be resolved prior to the application being presented to the CoM CAP for determination.
  - 3.3.3.4 Assuming support is forthcoming from the CAP, the application will be referred to the State Planning Assessment Commission (SPAC) who must **grant 'concurrence' for the application to be granted Development Plan Consent (by the Council following written receipt of the SPAC's concurrence)**.
  - 3.3.3.5 Any person who lodged a representation regarding the proposal during the public notification period will have a right to appeal against that decision, if aggrieved, and must do so within 15 business days of the grant of Development Plan Consent.



## 4. ECONOMIC DEVELOPMENT

*Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):*

- (c) *the expected contribution of the project to the economic development of the local area, the impact that the project may have on businesses carried on in the proximity and, if appropriate, how the project should be established in a way that ensures fair competition in the market place;*

### 4.1 Contribution to Economic Development

- 4.1.1 Economic development can be defined as efforts that seek to improve the economic well-being and quality of life for a community by creating and/or retaining jobs and supporting or growing incomes and the tax base.
- 4.1.2 The contribution to economic development from the Project will primarily come from two sources:
  - 4.1.2.1 construction activity in the area including the purchase of local goods and services; and
  - 4.1.2.2 activities in the area through the ongoing operation of the Project.
- 4.1.3 To quantify the economic benefits of the Project, CoM produced an Input-Output (I-O) report from the economic modelling tool 'REMPPLAN'.

### 4.2 Economic Impact Analysis

- 4.2.1 The REMPLAN I-O analysis to determine the output, employment and value-added impact of a \$7.000 million investment in the Southern Adelaide region is based on data sourced from the Australian Bureau of Statistics (ABS), most of which relates to the 2016, 2011, 2006 and 2001 Censuses.
- 4.2.2 Construction benefits
  - 4.2.2.1 Total output from the Project including all direct, industrial and consumption effects is estimated to increase output by up to \$15.435 million. This represents a Type 2 Output multiplier of 2.205 and is comprised of the following:
    - (a) a \$7.000 million direct increase in output;
    - (b) a rise of \$6.252 million in the demand for intermediate goods and services, including the flow on effects as demand for local goods and services increases; and
    - (c) the consumption effects from the creation of jobs in the economy arising from the increases in direct and indirect output which are estimated to be \$2.182 million.



**4.2.2.2** An increase in output of \$15.435 million from the Project should result in an increase of up to 46 jobs during the construction phase, from a Type 2 employment multiplier of 2.556, as detailed below:

- (a) the direct effect is estimated to create up to 18 jobs;
- (b) the indirect or flow on effect is estimated to result in the gain of a further 19 jobs; and
- (c) the consumption effect is estimated to boost employment by 9 jobs.

**4.2.2.3** The estimated impact of the Project on wages and salaries is by up to \$2.977 million, representing a Type 2 multiplier of 2.664, the components are:

- (a) the increase from the direct effect is estimated at \$1.117 million;
- (b) the indirect or flow on effect is estimated at \$1.331 million, which represents a Type 1 Wages and Salaries multiplier of 2.192; and
- (c) the consumption effects under this scenario are expected to further boost employment in sectors such as retail therefore further increasing wages and salaries by an estimated \$0.528 million.

**4.2.2.4** The impact of the Project on value added is estimated to increase by up to \$5.785 million, this represents a Type 2 value-added multiplier of 2.658 and is comprised of:

- (a) a direct impact of \$2.177 million;
- (b) an indirect or flow-on effect in terms of local purchases of goods and services are anticipated of \$2.376 million, this represents a Type 1 value-added multiplier of 2.091; and
- (c) A consumption effect of \$1.233 million, as a proportion of these wages and salaries are typically spent on consumption and a proportion of this expenditure is captured in the local economy.

**4.2.2.5** Table 1 summarises the construction impact of the Project.

Table 1 – Construction Impact Summary (REMPPLAN)

Impact Summary \$ millions	Direct Effect	Supply-Chain Effect	Consumption Effect	Total Effect
Output	7.000	6.252	2.182	15.435
Employment (Jobs)	18	19	9	46
Wages and Salaries	1.117	1.331	0.528	2.977
Value-added	2.177	2.376	1.233	5.785



#### 4.3 Impact on Business in the Proximity

- 4.3.1 Given the location of the facility, we would not expect there to be any significant negative impacts for businesses in the proximity as a result of the construction phase of the Project.
- 4.3.2 Post-construction, the direct impact on local business is expected to be generally positive. The higher visitation to the area should result in greater spend on food, beverage and retail businesses within the surrounding areas including in Hallett Cove and O'Halloran Hill.

#### 4.4 Fair Competition

- 4.4.1 There is not a facility in the area that is equivalent to the proposed Project.
- 4.4.2 The nearby grounds at Hallett Cove, home to The Cove FC (the Club) (two separate senior and junior locations), are of a lower standard and are unable to meet the needs of the growing club, with the proposed facility to become the new home of the Club.
- 4.4.3 The proposed Project will not constitute a significant business activity, as defined by national competition principles and therefore the principles of fair competition are not relevant in this instance.



## 5. COMMUNITY CONSULTATION

*Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):*

*(d) the level of consultation with the local community, including contact with persons who may be affected by the project and the representations that have been made by them, and the means by which the community can influence or contribute to the project or its outcomes;*

### 5.1 Level of Consultation

5.1.1 The CoM Community Engagement Policy (2016), pursuant to Section 50 of the Local Government Act 1999, sets out the steps that Council intends to take to deliver **effective community consultation, whilst fulfilling Council's requirements under the Act.**

5.1.2 The principles of the Community Engagement Policy are as follows.

*"4.1 Elected Members are acknowledged as the representatives of community and empowered to make decisions. The role of staff is to present to the Elected Members all facts (which may include community perspectives) relevant to Council decisions, and subsequently to implement the decisions of Council.*

*4.2 We communicate openly and honestly about the degree of influence communities are able to exercise in any engagement activity or key decision.*

*4.3 We value the diversity of our communities and will utilise inclusive, representative and accessible approaches.*

*4.4 We commit to evaluation and continuous improvement in our community engagement.*

*4.5 The City of Marion will commit to appropriate levels of community engagement before making significant decisions taking into account the number of people affected and the likely degree of impact of the decision."*

5.1.3 According to the Policy, the CoM is to consider the following methods of including the community, which are consistent with the International Association of Public Participation's (IAP2) Core Values:

5.1.3.1 Inform - communicating balanced and objective information to help the community understand the decision.

5.1.3.2 Consult - providing information, ideally presenting a number of options, to allow the community to express their preferences regarding the decision.

5.1.3.3 Involve - working directly with the community throughout a project to ensure that concerns and aspirations are consistently understood and considered as the project evolves through to completion.





**5.1.3.4** Collaborate - working in partnership with the community, with a shared sense of responsibility for the work and the outcome.

**5.1.3.5** Empower – Places the decision-making about specific projects in the hands of the community. The community takes responsibility and is accountable for the outcomes of decisions made.

We note that the Policy is not prescriptive under which circumstances these methods are to be applied.

**5.1.4** The CoM has prepared and implemented a Community Engagement Plan for the Project consistent with the Policy. This Plan includes community consultation throughout the pre-construction, construction and pre-opening and operational phases of the Project. The objectives of the Plan are to:

**5.1.4.1** Identify current and future stakeholders including general community and key stakeholders who are directly affected.

**5.1.4.2** Inform all stakeholders of opportunities to participate in engagement activities.

**5.1.4.3** Consult with key stakeholders to:

(a) Identify vision and objectives of the concept design;

(b) understand the current and future needs and identify solutions; and

(c) develop potential and preferred management options.

**5.1.4.4** Conduct consultation with broader community on final design.

**5.1.4.5** Inform communities of how their participation influenced the final concept design.

**5.1.5** The community consultation objectives for the pre-construction phase have been achieved through the following activities.

**5.1.5.1** Engagement with The Cove FC and FSA to ensure that the proposed facility will meet the needs of the southern Adelaide soccer community, which will be handed over to the Club for the operational management of the facility on completion.

**5.1.5.2** In conjunction with DEW, the identification and consultation with landowners and lessors within proximity to the proposed location to understand their requirements and any potential impacts on them.

**5.1.5.3** Consultation meetings held with the key stakeholders in March 2017, prior to which announcements were circulated to allow the opportunity for considered responses.



- 5.1.6 Broader community engagement activities have been focused primarily on direct contact and engagement with sports and community bodies that will be affected by the proposed facility.
- 5.1.7 The Project was identified in the 2019-23 CoM 4 Year Business Plan, which was made available to the broader Community for consultation.
- 5.1.8 The proposed development is on a greenfield location that is isolated from residential properties, as a result consultation has been appropriately limited to stakeholders at sites along Majors Road, including:
  - 5.1.8.1 Southern Archers;
  - 5.1.8.2 Sturt Pistol & Shooting Club;
  - 5.1.8.3 **Friends of O'Halloran Hill;** and
  - 5.1.8.4 Holdfast Model Aero Club.
- 5.1.9 The CoM has applied the principles of the Community Engagement Policy in the community consultation on the Project. The community consultation will need to be maintained throughout the construction and pre-opening and operational phases to achieve the Plan objectives.

## 5.2 Community Influence and Contribution

- 5.2.1 The stakeholders consulted are supportive of the proposed Project.
- 5.2.2 **Southern Archers, Sturt Pistol & Shooting Club and Friends of O'Halloran Hill advised** their preference for the Project to be located on the southern side of Majors Road, which is the proposed site.
- 5.2.3 **Holdfast Model Aero Club's preference is for the proposed site to be as close as possible to Adams Road.** They have provided the outer boundary that can be utilised for the site, so that there is a low risk of radio controlled aircraft entering the area. The proposed site reflects this guidance.
- 5.2.4 There is ongoing consultation with DEW and the Glenthorne Partnership to inform the requirements for any revegetation of the site and management of the stormwater retention within the park.
- 5.2.5 Through the community engagement process the CoM has provided the opportunity for the community to influence the Project.



## 6. FINANCIAL ASSESSMENT

*Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):*

- (e) if the project is intended to produce revenue, revenue projections and potential financial risks;*
- (f) the recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements;*
- (g) the financial viability of the project, and the short and longer term estimated net effect of the project on the financial position of the council;*

### 6.1 Revenue Production, Revenue Projections and Potential Financial Risks

#### 6.1.1 Revenue Production

6.1.1.1 The Project is not intended to produce material revenues.

6.1.1.2 However, the entity which will manage the facility will be required to enter **into a lease consistent with the CoM's Leasing and Licensing of Council Owned Facilities Policy.**

6.1.1.3 Under the Policy, the CoM intends to set an annual licence fee based on an independent market rental valuation, with a 93% discount applied. The discount is based on a build-up of the subsidies available to community organisations for the use of Council-owned facilities. The subsidy criteria to a maximum 93% discount are:

(a)	Good Governance	33%
(b)	Facility Utilisation	30%
(c)	Social Inclusion	20%
(d)	Volunteer Management	5%
(e)	Environmental Initiatives	5%

Our preliminary assessment of the criteria above, which are further detailed in the Policy, is that each subsidy criteria is likely to be met and therefore a 93% discount will be applied to the market rental rate.

6.1.1.4 The CoM will seek an independent market valuation of the land closer to the practical completion of the Project in order to determine the market rental rate.

6.1.1.5 The CoM will need to undertake a final review of the subsidy criteria once the policies, procedures and governance of the Managing Entity have been formalised to confirm the extent of the subsidy.



- 6.1.1.6 There are no existing plans for commercial facilities to be operated at the site to produce revenue that could financially benefit CoM or the Managing Entity.

## 6.1.2 Potential Financial Risks

The most significant financial risks relating to the Project are as follows.

- 6.1.2.1 Failure to secure sufficient funding for the Project;
- 6.1.2.2 The CoM does not yet have a detailed breakdown to substantiate the \$7.0 million estimated capital cost. Overruns in the cost of construction could also result in higher future capital renewal costs; and
- 6.1.2.3 Whole-of-life project costs that may exceed current provisions in the Long Term Financial Plan.

## 6.2 Recurrent and Whole of Life Costs, Financial Arrangements

### 6.2.1 Recurrent Costs

#### 6.2.1.1 Maintenance

- (a) **Under the Council's current Leasing and Licensing of Council Owned Facilities Policy**, Council is responsible for the maintenance, repairs and replacement of structural items in Council owned buildings and flood lighting, while the lessee is responsible for utilities (with water costs shared with CoM, as per the further detail below), outgoings and waste disposal associated with their operations.
- (b) Annualised repairs and maintenance to the facility are estimated to be \$44,200 per annum which will be incurred by the CoM.
- (c) Recurrent costs, such as utilities and DEW head lease fees will be passed through to the Managing Entity.
- (d) Water cost relating to the playing fields will be 90% funded by the CoM (estimated by the CoM to be \$49,500 per annum), with the Club being responsible for remaining 10% cost.

#### 6.2.1.2 Depreciation

Depreciation for up-front capital costs of the Project and an approximate allowance for capital renewal is estimated to be \$280,000 per annum, calculated in accordance with Generally Accepted Accounting Principles **based on the CoM's estimates of the useful lives** of the various asset classes being constructed. Once capital costs are finalised, the CoM intends to update the depreciation provisions to be reflective of the relevant asset components and their lifecycles.



### 6.2.1.3 Other Expenses

- (a) Council has resolved (**SGC191125**) to fund the Project capital costs from available cash reserves. While there will not be direct funding costs for the Project, the reduction in cash reserves will have an indirect funding impact of approximately \$160,000 per annum based on the current Cash Advance Debenture rate, which should be considered as part of the Project costs.
- (b) There is no specialised insurance policy required for the Project and **the Project assets will be covered within CoM's existing insurance** coverage, this is unlikely to materially affect the insurance premium being paid by CoM.

### 6.2.2 Whole of Life Costs

- 6.2.2.1 Whole-of-life costing has been prepared based on the capital expenditure, maintenance and depreciation costings provided by the CoM. The forecast lease revenue has not been included in the calculation given its nominal value.
- 6.2.2.2 Table 2 below provides a summary of **the CoM's** \$7.0 million cost estimate. This is based on a \$5.6 million estimate provided by FSA, which the CoM has adjusted to include the cost of a building and lowered civil costs as a result of installing natural rather than artificial turf pitches. The CoM is currently working with estimators Rider Levett Bucknall (RLB) to develop a detailed cost estimate to support this \$7.0 million capital cost.

Table 2 – Capital cost estimate summary

Component	Cost \$
Preliminaries & Margins	200,000
Civil	2,800,000
Car park & Building	2,295,000
Building	1,000,000
Estimated net cost	6,295,000
Allowance for construction contingency 4.5%	300,000
Allowance for professional fees 5.8%	382,340
Total estimated costs	6,977,340

- 6.2.2.3 **shows the CoM's total estimated annualised operating costs** of \$378,200, including capital renewal provisions of \$280,000, which will need to be funded by the CoM. Further detail is provided in Attachment Two.



Table 3 – CoM Estimated Annual Operating Costs

	\$'000
Operating Costs	
Maintenance (incl. car park works every 5 years)	44.2
Water (90% funded by CoM)	49.5
Other Operating Costs	4.5
Total Operating Costs	98.2
Depreciation / capital renewal	280.0
Total Operating Costs	378.2

**6.2.2.4** The annualised cash costs are estimated to be \$98,200, comprising \$44,200 in maintenance, and \$49,500 in grounds water cost and \$4,500 in other operating costs. Building-related water costs and electricity costs will be passed through to the Managing Entity.

**6.2.2.5** Over a 25-year period, the operating costs adjusted for inflation are estimated to be \$12.9 million. This includes capital renewal of \$9.6 million and cash costs of \$3.4 million.

### 6.2.3 Financial Arrangements

**6.2.3.1** The funding arrangements for the Project are detailed in Table 4.

Table 4 – Up-front Capital Funding Arrangement

Funding sources	Amount \$ millions
State Government	2.5
City of Marion	4.5
Total Funding	7.0

**6.2.3.2** The CoM is currently working with the State Government and FSA to achieve the transfer of the \$2.5 million funding allocated towards the Project.



### 6.3 Financial Viability

- 6.3.1** In the context of the Project financial viability can be defined as the ability to generate sufficient income to meet operating expenses and financial obligations.
- 6.3.2** The Project is being undertaken to provide community infrastructure that is not expected to produce revenue at a level which would make the asset financially viable in its own right. Therefore the CoM will need to subsidise the construction and ongoing management of the facility.
- 6.3.3** The CoM has adopted a number of key indicators to assess the financial viability of its operations, these target are shown below in Table 5.

Table 5 - LTFP Key Financial Indicators

Key Financial Indicator	Target
Average Operating Surplus / (Deficit) Ratio	0% and 10% (average over a 5-year period)
Net Financial Liability Ratio	0% to 50%
Asset Sustainability Ratio	95% to 100%

- 6.3.4** As a result of the Project, there will be a minor decrease in the Operating Surplus Ratio and an increase in the Net Financial Liability Ratio that has does not have a material impact. Table 6 below shows the ratios in the adopted LTFP together with the impact of the Project on the ratio. As a new investment, there is no impact on the Asset Sustainability Ratio over the LTFP period and therefore this has not been included in the Table below.

Table 6 - Impact on Financial Indicators

	Operating Surplus Ratio		Net Financial Liability Ratio	
	Adopted LTFP	Project Impact	Adopted LTFP	Project Impact
FY2021	7.8%	7.4%	2.7%	5.0%
FY2022	7.5%	7.1%	1.4%	3.7%
FY2023	7.8%	7.4%	0.1%	2.5%
FY2024	8.9%	8.5%	-2.4%	0.0%
FY2025	9.1%	8.7%	-7.0%	-4.5%
FY2026	9.1%	8.7%	-11.8%	-9.3%
FY2027	8.8%	8.4%	-16.5%	-13.9%
FY2028	8.8%	8.4%	-21.8%	-19.2%
FY2029	8.9%	8.5%	-27.2%	-24.6%



## 7. PROJECT RISK AND MITIGATION STRATEGIES

*Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):*

- (h) *any risks associated with the project, and the steps that can be taken to manage, reduce or eliminate those risks (including by the provision of periodic reports to the chief executive officer and to the council);*

### 7.1 Risk Management

- 7.1.1** This report assesses the risk management actions taken or being considered by CoM for the Project. It is not the purpose of the report to prepare a comprehensive risk management plan, however a level of assessment has been undertaken on the identified risks and the mitigations that have been developed.
- 7.1.2** The CoM has established a Risk Management Policy, which has the following objectives:
- 7.1.2.1** Introduce and embed a risk culture and high level of risk awareness throughout all levels of CoM to support achievements aligned to our vision, strategies, services and actions.
  - 7.1.2.2** Implement consistent risk management processes to manage risk and opportunities throughout **CoM's organisational systems and functions** including planning, resource allocation priorities, internal audit and control processes, in line with risk management standards including AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines.
  - 7.1.2.3** To clarify the responsibilities within the risk management framework to enable the consistent and systematic application of our risk management approach within all Council operations.
  - 7.1.2.4** To guide a risk management approach to strategic, operational and project decision making to ensure proactive management strategies are implemented to mitigate against events occurring and ensure robust contingency plans to lessen the impact of events if they were to materialise.
  - 7.1.2.5** To strengthen the risk management program by implementing a Business Continuity Management (BCM) Framework to minimise the impact of **business disruptions on the Council's critical community services.**
  - 7.1.2.6** To protect public funds, assets and the integrity, security and reputation of the CoM by implementing a Fraud Policy which will prevent, identify, minimise and control fraudulent and/or corrupt activity.
  - 7.1.2.7** To provide adequate response to emergencies on behalf of the CoM residents and the community by implementing a Community Emergency Response Policy outlining our commitment to our community.





**7.1.2.8** To continually align the risk management program with the Business Excellence Framework.

**7.1.3** In accordance with the Risk Management Policy, an assessment of the risks associated with the Project, along with mitigation strategies have been undertaken by the CoM and identified in a Risk Register.

**7.1.4** The ongoing management of the Project should include the review and regular updating of the Risk Register, with appropriate changes incorporated to reflect the various Project phases.

**7.1.5** The number of risks identified by Category and risk-rating is identified in Table 7 below.

Table 7 - Risk Register Summary

Category	Risk Rating		
	High	Medium	Total
Financial sustainability	3	6	9
Stakeholder relations	5	2	7
Environmental & natural resource management	1	3	4
Liability	1	3	4
Legal & regulatory compliance	-	4	4
Strategy	1	2	3
Contracts & procurement	-	2	2
Execution, delivery & process management	1	2	3
Total	12	24	36

**7.1.6** Table 7 shows that there were a total of 36 risks identified, of which 12 were rated as 'High' risk prior to the application of mitigating controls and activities.



- 7.1.7** The 12 **key risks, which have a 'High' rating, have been identified in** Table 8 below. **All key risks have been reassessed and rated as 'Medium'-level risk, based on the proposed mitigation strategies.**

Table 8- High-level risks and adjusted risk rating

Risk Description
1. Community dissatisfaction with Council spending significant additional funds (to what was originally budgeted & publicised) on specific sporting project
2. Risk of the State Government funding of \$2.5m not being transferred to the City of Marion and new agreement established
3. Traffic generated by new facilities have an impact on the present form of Majors Road resulting in DPTI requiring changes to occur as part of the project
4. The effect of the swell-shrink and cracking of the highly expansive clays have a negative impact on the playing field surface and longevity
5. The cost of the facility as designed exceeds the budget
6. Cove Football Club not relocating to or taking up the sublease of the new site
7. Project governance (including communication between and within funding parties) results in a final project agreement of a low budget project which will have a higher whole of life costs borne by the CoM
8. Project delivery needs to be staged due to costs exceeding budget, with the cost of the subsequent staged items borne by CoM
9. Operational and maintenance cost of the facility are borne by CoM
10. Further costs to Council as the WHS responsibilities will be the Clubs, which are totally volunteer based
11. Facility location has a negative impact on the functionality of the MFS station opposite
12. Failure to obtain development approval as a result of the Project being subject to the building restrictions of the Hills Face Zone.

## 7.2 Risk Mitigation

- 7.2.1** The completeness of the risk assessment demonstrates the Project Lead has an appropriate appreciation of the relevant Project risks which in itself helps to mitigate the risk of the Project. For each for the 36 risks identified, the Risk Register:

- 7.2.1.1** determines the risk rating, based on the likelihood and the consequence of an event occurring;
- 7.2.1.2** identifies the current controls that are in place and whether those controls are effective;
- 7.2.1.3** provides a treatment plan for further mitigation of the risk; and
- 7.2.1.4** identifies a revised risk rating based on the likelihood and consequence of the risk with regard to the mitigating activities and controls.



- 7.2.2** One of the key identified risk mitigation strategies is the ongoing monitoring of risks through the use of the Executive Project Steering Group (PSG). The PSG is expected to provide oversight and direct the development of the Project. The PSG currently includes the following members:
- 7.2.2.1** CEO - Adrian Skull
  - 7.2.2.2** General Manager City Development – Ilia Houridis
  - 7.2.2.3** General Manager Corporate Services - Sorana Dinmore
  - 7.2.2.4** General Manager City Services - Tony Lines
  - 7.2.2.5** Project Management Leader - Annmarie Mabarrack
  - 7.2.2.6** Manager City Activation - Greg Salmon
  - 7.2.2.7** Manager Engineering and Field Services - Matt Allen
  - 7.2.2.8** Strategic projects staff as required
- 7.2.3** The delivery of the Project within budget and timeframes will be strongly linked to the effectiveness of the PSG and its ability to provide high level oversight and drive strong project governance.
- 7.2.4** We acknowledge that quality risk assessment and mitigation is an iterative process. A detailed risk assessment has been performed however, good risk management involves constantly monitoring and assessing risk and regularly updating the risk assessment to reflect changes in risk as the Project progresses. The Project Lead is responsible for ensuring this occurs.



## 8. PROJECT DELIVERY

*Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):*

*(i) the most appropriate mechanisms or arrangements for carrying out the project.*

### 8.1 Delivery Mechanism

- 8.1.1 The Project design procurement, design phases, funding and stakeholder engagement will be managed by a CoM appointed internal Project Manager.
- 8.1.2 It is envisioned that a Superintendent will be procured for the construction tender, construction and defects liability stages of the Project.
- 8.1.3 The detailed Project Management Plan (PMP) prepared by CoM provides detail on the:
  - 8.1.3.1 Project Scope;
  - 8.1.3.2 Project Cost Estimate;
  - 8.1.3.3 Project Team and Structure;
  - 8.1.3.4 Project Procurement;
  - 8.1.3.5 Subcontractor Management;
  - 8.1.3.6 Project Reviews; and
  - 8.1.3.7 Audit Controls.
- 8.1.4 Reporting for the Project should follow the reporting framework for significant capital projects, established by Council, this includes:
  - 8.1.4.1 monthly management report from Manager Finance to Council;
  - 8.1.4.2 monthly Strategic Projects reporting from Manager City Activation to Project Control Group, which includes the Executive Leadership Team; and
  - 8.1.4.3 fortnightly reporting from Manager City Activation to General Manager City Development.
- 8.1.5 The CoM has established a Project Control Group (PCG) to represent representatives from the funding partners and the land owner. The PCG is composed of representatives from:
  - 8.1.5.1 ORSR;
  - 8.1.5.2 DEW;
  - 8.1.5.3 Football South Australia; and



8.1.5.4 City of Marion.

- 8.1.6 Given the scale of the Project, the delivery mechanism put forward by the CoM is appropriate for achieving the proposed outcomes.

8.2 Procurement implications

- 8.2.1 The CoM Procurement and Contractor Management Policy applies to all Council staff and personnel engaged by Council to undertake procurement activities on its behalf, and it relates to all procurement activities associated with the acquisition of goods, works or services of any value by CoM.

- 8.2.2 The Policy prescribes that the procurement method for obtaining goods, works and services will be determined according to the estimated cost across the total life of the project; the nature of the procurement and the risk profile of the project.

- 8.2.3 **In accordance with Council's Procurement Policy and associated Operating Guidelines,** the CoM has prepared a Procurement Strategy for the Project.

- 8.2.4 The procurement strategy has been developed **in-line with the CoM's ten Procurement Principles:**

8.2.4.1 Intent to Contract;

8.2.4.2 Value for Money;

8.2.4.3 Open and Effective Communication;

8.2.4.4 Risk Management;

8.2.4.5 Confidentiality;

8.2.4.6 Probity, Accountability and Transparency;

8.2.4.7 Efficient Procurement Practices;

8.2.4.8 Work Health and Safety;

8.2.4.9 Environmental Management; and

8.2.4.10 Use of Local Contractors and Sustainable Procurement.

- 8.2.5 Procurement of the construction works can be either through the two stage process of an open call for expressions of interest (EOI) followed by a select tender process, or by the single stage process of an open tender call. EOI and Tender submissions would be assessed by selected representatives from CoM and DEW.

- 8.2.6 The Procurement Strategy for the **Project, is consistent with the CoM's Procurement and Contractor Management Policy.**



## 9. SALE AND OR DISPOSITION OF LAND

*Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):*

*i) if the project involves the sale or disposition of land, the valuation of the land by a qualified valuer under the Land Valuers Act 1994.*

### 9.1 Valuation of Land

The Project does not involve the sale or disposition of land and hence the requirements of Section 48 (2) (j) are not relevant to the project.



## 10. CONCLUSION

- 10.1 This report has been prepared to meet the requirements of the CoM's Prudential Management Policy and Section 48 of the Local Government Act, to provide Council with a comprehensive understanding of the prudential issues relating to the \$7.0 million Project. The Project is the development of a soccer facility at Majors Road, O'Halloran Hill that will become the home of The Cove FC.**
- 10.2** The Project has a high degree of alignment with National, South Australian and CoM strategic management plans. The Project is specifically identified as a Key Outcome in the CoM LTFP 2019-2029 and supports the CoM Strategic Plan 2019-2029. The Project also assists to advance the objectives of the State Government expressed in the 30 Year Plan for Greater Adelaide and Commonwealth Department of Health objectives to encourage increased participation in sporting activities.
- 10.3** The proposed location for the Project is within the Adelaide Hills Face Zone, which has defined development restrictions that are not consistent with building the proposed facility. However, given the design of the facility and the presence of large-sale structures within close proximity of the proposed location, in our view the site does not contravene the intention of the Hills Face Zone restrictions.
- 10.4** Economic analysis indicates that during the construction phase, there is an estimated \$15m increase in output and an additional 46 jobs.
- 10.5** Community consultation and engagement on the proposed Project has been undertaken consistent with the CoM Policy. This has included consultation with stakeholders that will use and operate the facility and with organisations within close proximity to the proposed location. According to the consultation, there is support for the proposed facility amongst the persons and community groups consulted.
- 10.6** Financial provisions for the expected capital and ongoing operational costs of the Project will need to be made in the 2020-2030 Long Term Financial Plan. Based on our modelling of the impact of the Project, the CoM is forecast to remain within their targeted Key Financial Indicators.
- 10.7** A thorough risk assessment has been performed and mitigating actions have been identified. After the implementation of mitigating controls, all identified risks have a 'Medium' risk rating.
- 10.8** The design procurement, design, funding and stakeholder engagement will be managed by **CoM's internal Project Manager, with an external Superintendent** engaged to manage the construction tender, construction and defects liability stages of the Project.
- 10.9** The Project does not involve the sale or disposition of land.
- 10.10** We are of the view that Council has been provided with sufficient information to satisfy the **requirements of Council's Prudential Management Policy and Section 48 of the Local Government Act.**



## ATTACHMENT ONE - LOCAL GOVERNMENT ACT, 1999 – SECTION 48

### Section 48 – Prudential requirements for certain activities

- (aa1) A council must develop and maintain prudential management policies, practices and procedures for the assessment of projects to ensure that the council—
- (a) acts with due care, diligence and foresight; and
  - (b) identifies and manages risks associated with a project; and
  - (c) makes informed decisions; and
  - (d) is accountable for the use of council and other public resources.
- (a1) The prudential management policies, practices and procedures developed by the council for the purposes of subsection (aa1) must be consistent with any regulations made for the purposes of this section.
- (1) Without limiting subsection (aa1), a council must obtain and consider a report that addresses the prudential issues set out in subsection (2) before the council—
- (b) engages in any project (whether commercial or otherwise and including through a subsidiary or participation in a joint venture, trust, partnership or other similar body)—
    - (i) where the expected operating expenses calculated on an accrual basis of the council over the ensuing **five years is likely to exceed 20 per cent of the council's average annual operating expenses over the previous five financial years (as shown in the council's financial statements);** or
    - (ii) where the expected capital cost of the project over the ensuing five years is likely to exceed \$4 000 000 (indexed); or
    - (iii) where the council considers that it is necessary or appropriate.
- (2) The following are prudential issues for the purposes of subsection (1):
- (a) the relationship between the project and relevant strategic management plans;
  - (b) the objectives of the Development Plan in the area where the project is to occur;
  - (c) the expected contribution of the project to the economic development of the local area, the impact that the project may have on businesses carried on in the proximity and, if appropriate, how the project should be established in a way that ensures fair competition in the market place;
  - (d) the level of consultation with the local community, including contact with persons who may be affected by the project and the representations that have been made by them, and the means by which the community can influence or contribute to the project or its outcomes;
  - (e) if the project is intended to produce revenue, revenue projections and potential financial risks;
  - (f) the recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements;
  - (g) the financial viability of the project, and the short and longer term estimated net effect of the project on the financial position of the council;
  - (h) any risks associated with the project, and the steps that can be taken to manage, reduce or eliminate those risks (including by the provision of periodic reports to the chief executive officer and to the council);
  - (i) the most appropriate mechanisms or arrangements for carrying out the project;
  - (j) if the project involves the sale or disposition of land, the valuation of the land by a qualified valuer under the Land Valuers Act 1994.
- (3) A report is not required under subsection (1) in relation to—
- (a) road construction or maintenance; or
  - (b) drainage works.
- (4) A report under subsection (1) must be prepared by a person whom the council reasonably believes to be qualified to address the prudential issues set out in subsection (2).





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- (4a) A report under subsection (1) must not be prepared by a person who has an interest in the relevant project (but may be prepared by a person who is an employee of the council).
- (4b) A council must give reasonable consideration to a report under subsection (1) (and must not delegate the requirement to do so under this subsection).
- (5) A report under subsection (1) must be available for public inspection at the principal office of the council once the council has made a decision on the relevant project (and may be available at an earlier time unless the council orders that the report be kept confidential until that time).
- (6) However, a council may take steps to prevent the disclosure of specific information in order to protect its commercial value or to avoid disclosing the financial affairs of a person (other than the council).
- (6a) For the purposes of subsection (4a), a person has an interest in a project if the person, or a person with whom the person is closely associated, would receive or have a reasonable expectation of receiving a direct or indirect pecuniary benefit or a non-pecuniary benefit or suffer or have a reasonable expectation of suffering a direct or indirect detriment or a non-pecuniary detriment if the project were to proceed.
- (6b) A person is closely associated with another person (the relevant person)—
- (a) if that person is a body corporate of which the relevant person is a director or a member of the governing body; or
  - (b) if that person is a proprietary company in which the relevant person is a shareholder; or
  - (c) if that person is a beneficiary under a trust or an object of a discretionary trust of which the relevant person is a trustee; or
  - (d) if that person is a partner of the relevant person; or
  - (e) if that person is the employer or an employee of the relevant person; or
  - (f) if that person is a person from whom the relevant person has received or might reasonably be expected to receive a fee, commission or other reward for providing professional or other services; or
  - (g) if that person is a relative of the relevant person.
- (6c) However, a person, or a person closely associated with another person, will not be regarded as having an interest in a matter—
- (a) by virtue only of the fact that the person—
    - (i) is a ratepayer, elector or resident in the area of the council; or
    - (ii) is a member of a non-profit association, other than where the person is a member of the governing body of the association or organisation; or
  - (b) in a prescribed circumstance.
- (6d) In this section, \$4 000 000 (indexed) means that that amount is to be adjusted for the purposes of this section on 1 January of each year, starting on 1 January 2011, by multiplying the amount by a proportion obtained by dividing the CPI for the September quarter of the immediately preceding year by the CPI for the September quarter, 2009.
- (6e) In this section—
- employee* of a council includes a person working for the council on a temporary basis;
- non-profit association* means a body (whether corporate or incorporated)—
- (a) that does not have as its principal object or 1 of its principal objects the carrying on of a trade or the making of a profit; and
  - (b) that is so constituted that its profits (if any) must be applied towards the purposes for which it is established and may not be distributed to its members.
- (7) The provisions of this section extend to subsidiaries as if a subsidiary were a council subject to any modifications, exclusions or additions prescribed by the regulations.



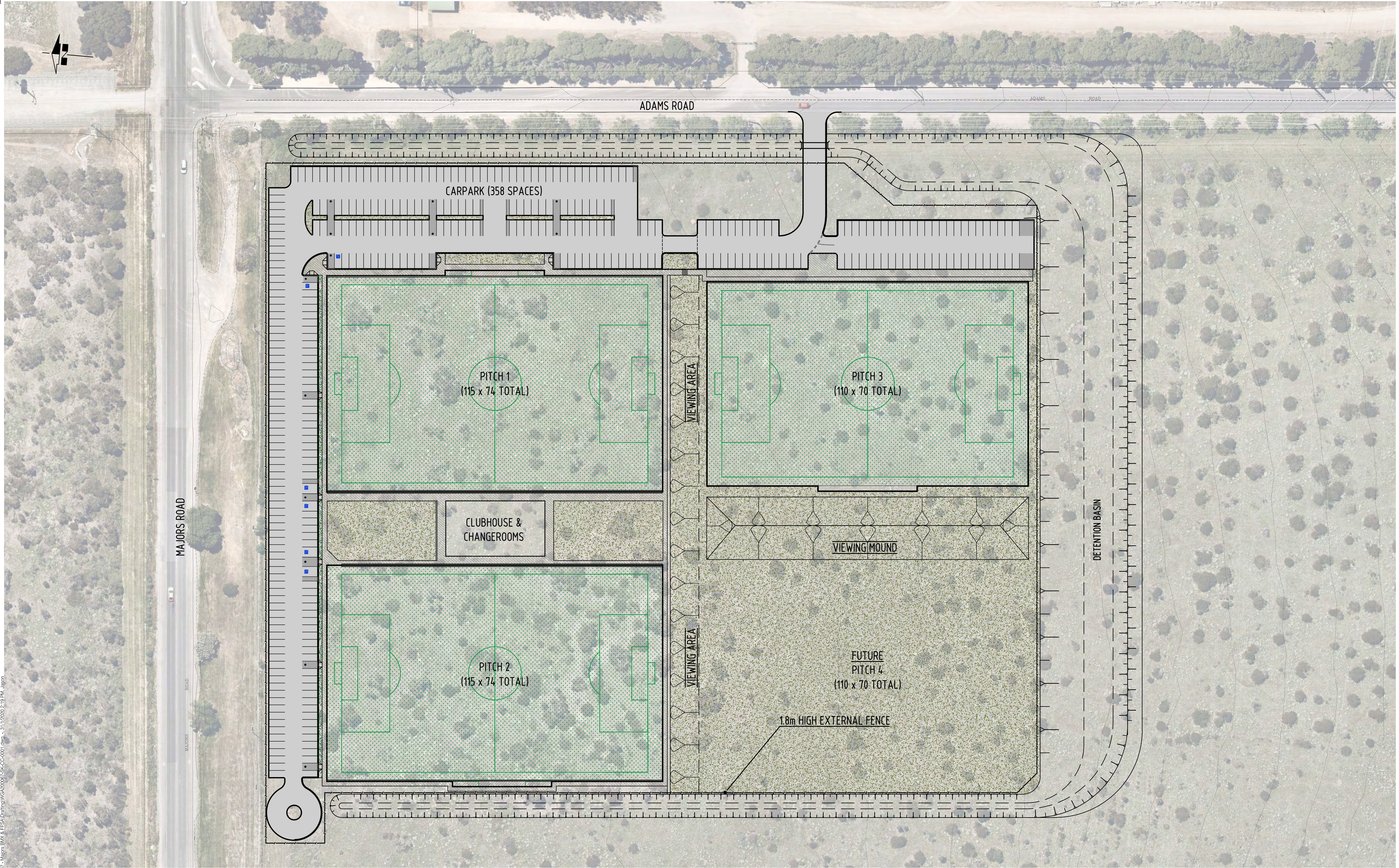
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## ATTACHMENT TWO - 10 YEAR OPERATING COSTS

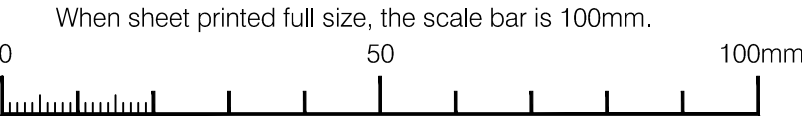
\$'000	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
<b>Operating Costs</b>										
R & M Various (excl. pitches)	(15)	(15)	(16)	(16)	(17)	(17)	(17)	(18)	(18)	(19)
Turf Maintenance	(28.2)	(29)	(30)	(30)	(31)	(32)	(33)	(33)	(34)	(35)
Car park re-seal	-	-	-	(5)	-	-	-	-	(6)	-
Total maintenance	(43)	(44)	(45)	(52)	(48)	(49)	(50)	(51)	(59)	(54)
Water (grounds)	(55)	(56)	(58)	(59)	(61)	(62)	(64)	(65)	(67)	(69)
Insurance	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(6)
<b>Total Operating costs (excl. depreciation / renewal)</b>	<b>(103)</b>	<b>(105)</b>	<b>(108)</b>	<b>(116)</b>	<b>(113)</b>	<b>(116)</b>	<b>(119)</b>	<b>(122)</b>	<b>(131)</b>	<b>(128)</b>
<b>Cost Contribution</b>										
City of Marion	97	100	102	110	107	110	113	116	124	121
The Cove FC	6	6	6	6	6	6	6	7	7	7
<b>Total Cost Contribution</b>	<b>103</b>	<b>105</b>	<b>108</b>	<b>116</b>	<b>113</b>	<b>116</b>	<b>119</b>	<b>122</b>	<b>131</b>	<b>128</b>
Depreciation / Capital Renewal	(280)	(287)	(294)	(302)	(309)	(317)	(325)	(333)	(341)	(350)

An inflation rate of 2.50% has been applied throughout the forecasts, consistent with the rate used by the CoM.





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TROTT PARK, SA  
PUBLIC CONSULTATION SKETCH

A1

Design  
WS

DOCUMENT NUMBER

Project Number

WGA200067-SK- CC-0001

Sheet No.

Rev.



## Draft Annual Business Plan 2020/21 and Long Term Financial Plan

<b>Originating Officer</b>	Unit Manager Statutory Finance and Payroll - David Harman
<b>Corporate Manager</b>	Manager Finance - Ray Barnwell
<b>General Manager</b>	General Manager Corporate Services - Sorana Dinmore
<b>Report Reference:</b>	FAC200225R06

### REPORT OBJECTIVE:

The purpose of this report is to provide the Finance & Audit Committee (FAC) with an update on the development of Council's Draft Annual Business Plan (ABP) for 2020/21 and to provide a coinciding update on the development of the Draft Long Term Financial Plan 2020/21 to 2029/30 (LTFP).

### RECOMMENDATION

**That the Committee provide feedback on:**

- 1. The development of the Draft ABP 2020/21 and LTFP (Attachment 2), including the proposed use of Council's Accounting Reserves to offset the funding requirements of new initiatives incorporated into the Draft 2020/21 Budget and LTFP**
- 2. The reasonableness, fairness and equity of the potential rating approaches for 2020/21 (as per the rate modelling contained in this report), including in the context of Council's LTFP and on-going financial sustainability.**

### DISCUSSION:

The Draft 2020/21 ABP has been developed using a forecast average rate rise of **1.6%** plus forecast annual growth of 1% (note - Adelaide CPI, Dec 2019 2.1%). These rates have been applied throughout the 10 years of the draft LTFP.

This 1.6% draft budget model provides Council with a financially sustainable position for 2020/21 and throughout the LTFP with sufficient revenue to fund its operating and capital projects with a balanced or better funding (cash) position over the term of the LTFP with only one year (2022/23) in deficit.

#### Key Assumptions

In developing the draft 2020/21 ABP and LTFP it should be noted that the following key assumptions and variables have been applied:

- Where changes to service delivery have been prioritised and approved by Council subject to financial capacity, these have been incorporated into the Budget/LTFP. Where no other endorsement exists, service delivery levels are maintained at current levels.
- The 2020/21 ABP has been based off historical actuals.
- For years from 2021/22 onwards a 2.5% increase per annum is applied to operating income and expenditure amounts in line with the Reserve Bank's targeted CPI with the following exceptions:

- Rates - the assumption throughout the draft LTFP includes a rates increase of 1.6% plus growth, forecast at 1.0%. This has been reduced from 1.8% plus growth per the adopted LTFP 2019-2029.
- Employee Costs - a 2.3% increase per annum is applied to Employee costs with consideration given to the revised timetable relating to the change in the Superannuation Guarantee. The Superannuation Guarantee increases recommence on 1 July 2021 with five annual increases of 0.5% each, being incorporated into the LTFP.
- Interest expenses are directly related to Council borrowings and cash flows.
- Interest revenue is directly related to Council investments and cash flows and will be carefully monitored in line with interest rate movements.
- An adjustments schedule has been developed to account for any future variations in operating activities (e.g. an adjustment is made for election expenses to reflect that they only occur once every 4 years).
- Capital Grants, subsidies and monetary contributions reflect tied monies received in relation to the purchase/construction of new assets and are budgeted in accordance with information known at the time of preparing this report.

The draft 2020/21 ABP has a forecast balanced Cash Budget (funding) position. Key inputs to the draft ABP are detailed in Attachment 1 and a copy of the draft LTFP 2020-2030 is included at Attachment 2.

## ATTACHMENTS:

#	Attachment	Type
1	1. Draft 2020-21 Budget - Key inputs	PDF File
2	2. Draft Long Term Financial Plan	PDF File

## Additions to the 2020/21 ABP & LTFP

The following table shows the new 2020/21 initiatives currently incorporated into the draft 2020/21 ABP and how they are to be funded, either through rates or utilising funding available from Council's Asset Sustainability Reserve.

Initiative	Funding Source	2020/21	LTFP	Resolved
<b>Operating</b>				
Treescaping funding increase	Rates	20,000	ongoing	To be resolved
Destination Playground contribution	Reserve	2,000,000	one off contribution	To be resolved
Edwardstown Co-working Space	Rates	35,000	three years	To be resolved
ADL Film Fest in the Burbs	Rates	35,000		GC200211F01
<b>Total Operating Initiatives Loaded</b>		<b>2,090,000</b>		
<b>Capital</b>				
Streetscaping funding increase	Rates	400,000	ongoing	To be resolved
Tarnham Road Tennis Courts	Reserve	1,640,000		To be resolved
Coastal Walkway	Grants/Reserve	280,000	\$4,881,604 over 4 years	To be resolved
Marion RSL Carpark	Rates	700,000		To be resolved
Pram Ramp DDA Compliant Upgrade	Rates	315,000	\$630k ongoing from 2021/22	To be resolved
<b>Total Capital Initiatives Loaded</b>		<b>3,335,000</b>		
Funded from Reserves (CFPP & ASR)		3,780,000		
Funded from Grants		140,000		
Net decrease in Cash		1,505,000		
<b>Total Funding</b>		<b>5,425,000</b>		

Currently only one of these initiatives (ADL Film Fest in the Burbs - \$35,000) has been adopted, with the rest included for consideration by council during the budgeting process.

The ongoing additions funded through rates have had an impact on council's funding position over the term of the LTFP, as shown below in the Ratings Options.

### Rating Options

The Draft 2020/21 ABP has been developed using a forecast average rate rise of 1.6% (Adelaide CPI, Dec 2019 – 2.1%) plus forecast growth of 1%. This rate is also applied throughout the 10 years of the draft LTFP. The 1.6% model provides a balanced funding position over the term of the LTFP, with only 2022/23 having a funding deficit. Where applicable any deficits have been reduced by reducing or removing the contribution to the Community Facilities Partnership Program fund (CFPP). A total of \$3.709m is currently forecast to be allocated to the CFPP over the term of the LTFP.

A second modelling option has been prepared with the average rate increases over the LTFP reducing from 1.6% to 1.0% in 0.1% increments over seven years. With rate increases falling faster than the forecast CPI, this will put additional pressure on council's financial position while maintaining existing service levels. This option presents further deficits and if all initiatives are approved, would not be financially sustainable in the long term.

The table below shows the rate revenue and cash position of each option for the term of the LTFP.

	2020/21 \$'000	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000
Rate Increase	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%
Rate Revenue	81,378	83,492	85,661	87,886	90,169	92,511	94,914	97,379	99,909	102,504
Cash Budget Surplus (Funding Position)	-	23	(651)	-	907	872	297	837	842	1,478
Rate Increase	1.60%	1.50%	1.40%	1.30%	1.20%	1.10%	1.00%	1.00%	1.00%	1.00%
Rate Revenue	81,378	83,413	85,417	87,386	89,315	91,199	93,035	94,907	96,817	98,766
Cash Budget Surplus (Funding Position)	-	(57)	(895)	(501)	53	(439)	(1,582)	(1,635)	(2,249)	(2,260)

In considering alternative rate models it should be noted that for every 0.1% movement in the average rate increase applied it equates to a difference of \$81,274 in 2020/21.

A detailed LTFP funding statement based on 1.6% average rate increase is included as Attachment 2 to this report.

### Movement in Council's Accounting Reserves

Council's currently adopted LTFP and subsequent Council Resolutions in 2019/20 include a number of planned Reserve transfers. In addition, there are some proposed reserve fund transfers, as outlined in the tables below, which have been incorporated into the draft 2020/21 budget and LTFP.

Utilising Reserve funds, where appropriate, will alleviate the potential required rate increases to support and deliver the new initiatives proposed for inclusion in the draft 2020/21 budget.

Council's budget for 2019/20 forecasts the use of **\$11.071m** from these reserves in the current year. The net impact on Council's Reserves resulting from funding allocations in the 2020/21 ABP is a further reduction of \$5.686m from a reserve balance of \$13.665m to \$7.979m.

Council Reserves (\$000s)	Asset Sustainability Reserve							Oaklands Wetlands - Water Supply Opportunities	Open Space Reserve	TOTAL ALL RESERVES
	Major Infrastructure Failure	General	Walking & Cycling	Energy Efficiency	Major New Projects	CFPP	TOTAL ASR			
Forecast Closing Balance 30/06/2020	2,000	5,874	800	40	25	2,096	10,835	643	2,187	13,665
Transfers to Reserve 2020-21	0	0	200	40	0	227	467	40	16	523
Transfers from Reserve 2020-21	0	(4,569)	(140)	0	0	(1,500)	(6,209)	0	0	(6,209)
Current Budgeted Closing Balance	2,000	1,305	860	80	25	823	5,093	683	2,203	7,979

### Forecast Transfers from Reserves – 2020/21

The draft 2020/21 ABP includes the impact of a number of Council Resolutions with planned **transfers from** Reserves for the following key projects:

- Coastal Walking Trail \$0.140m (GC191126R07)
  - Marion Outdoor Pool Upgrade \$0.429m (GC130218R04)
  - Football in the South \$2.000m (SGC191125F01)
  - Tarnham Road Reserve Tennis \$1.640m (GC191210R10)
  - Destination Playground Contribution \$2.000m (TBC)
- \$6.209m**

The Coastal Walking Trail funding from reserve is for up to \$2.441m over the next four years – there is an allowance in the 2019/20 budget that will, if not required, be utilised to reduce the amount required from this reserve.

The amount required for Tarnham Road may be reduced depending on the final outcomes around site design.

## **Forecast Transfers to Reserves – 2020/21**

The draft 2020/21 ABP also includes planned **transfers to** Reserves including:

• Community Facility Partnership (CFPP)	\$208k
• Walking & Cycling Trails	\$200k
• Energy Efficiency	\$ 40k
• Water Supply Opportunities	\$ 40k
• Morphettville Sports Telstra Tower	\$ 19k
• Open Space Reserve	<u>\$ 16k</u>
	<b>\$523k</b>

The remaining balances available in Council's Reserves for future projects are:

Asset Sustainability Reserve	\$ 2.270m (excluding \$2m set aside for major infrastructure failure)
CFPP	\$ 0.823m
Water Supply Business	\$ 0.683m
Open Space Reserve	<u>\$ 2.203m</u>
	<b>\$ 5.979m</b>

Of this \$5.979m further funding from reserve totalling **\$2.300m** for the four year contribution to the Coastal Walking trail has been quarantined in the ASR.

## **Key Projects – Funded in 2020/21**

Council's forecast major projects include the following:

- Mitchell Park Sports and Community Centre (\$15m Project)**  
 Council's adopted LTFP includes provision in the 2020/21 year for the redevelopment of Mitchell Park Sports and Community Centre (\$15m). During 2019/20 Council was successfully awarded Federal Government grant funding of \$5m, with the balance of \$10m currently forecast to be funded through borrowings. Construction is expected to occur over 2020/21 and 2021/22 with an allocation of \$6.605m included in the draft 2020/21 ABP including \$2.0m of the forecast total borrowings, with the remainder coming from grant funding. The remaining budget will be spent in 2021/22.
- BMX facilities (\$5.8m Project)**  
 No further funding is included in the Draft 2020/21 ABP for the BMX Facilities. Current funding in the budget for 2019/20 is \$3.1m, consisting of additional State Government grant funding of \$1.3m, additional Council contribution of \$1.0m and the City of Onkaparinga's contribution of \$0.750m, most of which is likely to be retimed to 2020/21 if not utilised in 2019/20. This budget is in addition to the funding unspent from 2018/19 of \$2.7m including Council's original contribution of \$750k that has been retained in Reserves until it is required. Projected costs for operating, maintenance and depreciation have been incorporated into the LTFP.
- Marion Outdoor Pool (Stage 3 - \$0.430m)**  
 Funding of \$0.430m is expected for completion of the Stage 3 works at the Marion Outdoor Pool. The final stage of this multi- year project was budgeted for 2019/20 (\$1.9m) and is funded from the Asset Sustainability Reserve (GC130218R07) however it is anticipated to be completed by August 2020.
- Soccer in the South (\$7.0m project)**  
 Council has committed to contribute \$4.5m towards this \$7.0m development



consisting of three grass pitches, a clubroom, spectator viewing areas, car parking, lighting and utilities in the south to support growing membership. \$2.5m of this committed funding is included in the 2019/20 Annual Business Plan but is likely to be retimed at which point the extra funding will be brought in from the Asset Sustainability Reserve (SGC191125F01).

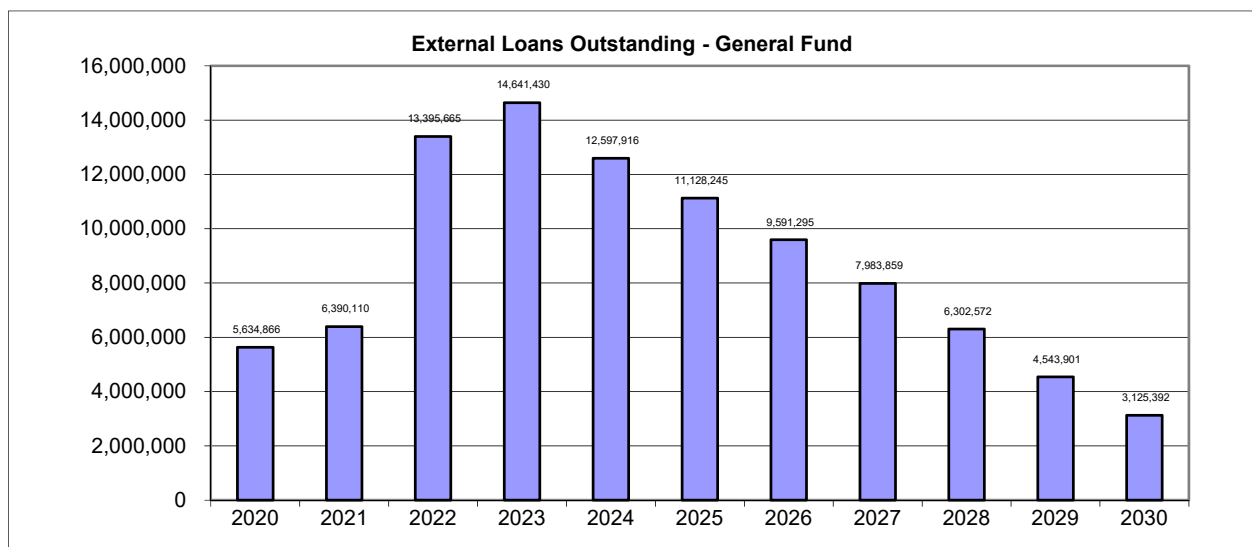
Projected costs for operating, maintenance and depreciation have been incorporated into the LTFP.

## Labour Budgets

The total labour budget for 2020/21 is \$37.230m. This includes increases from the enterprise agreements of 2.5% for outdoor (AWU) staff, and 2.0% for indoor (ASU) staff. There is an increase in labour costs for Waste and Utility management which will be offset by contributions from other councils as well as savings generated through service optimisation, an extra position for the project management of the Coastal Walking Trail renewal and a number of other minor adjustments.

## Borrowings

Council is set to \$10.0m in borrowings over the next two years, with \$2.0m in 2020/21 bringing Council's total borrowings outstanding at the end of 2020/21 to \$6.4m. Council's borrowings are currently set to peak in 2020/21 at \$14.641m reducing to \$3.125m by the end of the LTFP.



The additional borrowings in 2020/21 relate to Council's contribution towards the Mitchell Park Sports & Community Centre. Any changes to the timing and scope of the Mitchell Park Sports and Community Centre project may reduce the funding and in turn requirement for borrowings currently factored into the Draft 2020/21 ABP.

As indicated below by Council's Debt Servicing Ratio further capacity exists for Council to increase borrowing should it be necessary to do so.

Debt Servicing Ratio											
		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Debt Servicing Ratio		1.7%	1.4%	2.3%	2.6%	1.9%	1.9%	1.8%	1.8%	1.8%	1.4%
Target		5%	5%	5%	5%	5%	5%	5%	5%	5%	5%

There are a number of factors that should be considered in deciding whether borrowings should be utilised by Council, including:

- **Capacity to Pay (Affordability)** – The forecast cash positions and financial ratios in Council's adopted LTFP indicate a capacity for further borrowings
- **Intergenerational Equity** – Due consideration will be given to inter-generational equity for the funding of long term infrastructure projects and therefore the equitable sharing of the debt burden between the past, current and future generations. Council's current position of utilising current cash reserves that have been contributed by current and past ratepayers and applying them in the short-term in providing service improvements and outcomes in the LTFP would be considered sound and reasonable.
- **Long-term financial sustainability** – Council delivers 2 core services for its community in the form of Operational Services (e.g. Libraries, Waste Collection, Community Services, etc.) and Capital Services for the ongoing renewal (i.e. effectively cyclical maintenance) of existing infrastructure (e.g. roads, footpaths, drains, etc.). It is considered sound and prudent business practice to not borrow for the delivery of core services and there have been many cases where the non-adherence to this principal has resulted in a company's downfall (e.g. ABC Learning). Council's Treasury Management Policy supports borrowings for major new infrastructure projects only, where this is considered necessary.
- **Cash** – The key to the long-term financial sustainability of any organisations, whether they be public or private, is Cash and Cash Flow and not Operating Profit or Loss. As part of Council's LTFP Framework Council maintains, on average, a break-even or better funding (cash) position over the LTFP.
- **Prevailing interest rates** – the following table provides a basic interest rate sensitivity analysis per \$1m in borrowings on current indicative market rates over the 10 year term of the LTFP:

Interest on \$1m borrowings Over 10 Years		
Current Indicative rate	2.7%	\$147,762
Sensitivity Adjustment	-0.5%	\$119,498
	+0.5%	\$176,430

## Capital Works Funding

The total Capital program for 2020/21 is forecast at \$32.319m. For each of the Asset Management Plan categories the following capital works funding is included:

### Capital Works Budgets

Classification	2019/20 Original Budget	2020/21 Draft Budget
<b>Civil</b>		
Roads (including K&WT)	4,332,000	5,728,769
Footpaths	1,740,000	2,000,000
Pram Ramp DDA Upgrade	-	315,000
Drainage	2,656,570	2,721,267
Streetscapes	1,800,000	2,200,000
Irrigation	600,000	600,000
Traffic Control Devices	361,830	429,334
Walking Trails & Paths	535,000	220,000
Other Infrastructure	298,700	187,398
<b>Total Civil</b>	<b>12,324,100</b>	<b>14,401,768</b>
<b>Open Space</b>		
Playgrounds & Reserve Development	2,783,950	1,235,625
Shade Sails	385,000	385,000
Public Toilets	-	175,000
<b>Total Open Space</b>	<b>3,168,950</b>	<b>1,795,625</b>
<b>Property &amp; Buildings</b>		
Property & Buildings	2,874,119	2,761,777
Marion Golf Club Clubroom	300,000	-
Car Parks	100,000	700,000
Sports Courts	300,000	300,000
Tarnham Road Tennis Courts	-	1,640,000
Furniture & Equipment	341,471	202,365
<b>Total Property &amp; Buildings</b>	<b>3,915,590</b>	<b>5,604,142</b>
<b>Other Capital</b>		
Fleet Replacement	450,000	905,000
IT Hardware	290,000	298,000
<b>Total Other Capital</b>	<b>740,000</b>	<b>1,203,000</b>
<b>Subtotal Capital Works Program</b>	<b>20,148,640</b>	<b>23,004,535</b>
<b>Major Projects</b>		
Mitchell Park Sports Club Redevelopment	15,000,000	6,605,000
Coastal Walking Trail	-	280,000
Marion Outdoor Pool	1,929,554	429,554
Morphettville Park Sports Club Redevelopment	2,700,000	-
Regional Football Facility	2,500,000	2,000,000
BMX Track Development	2,050,000	-
<b>Total Major Projects</b>	<b>24,179,554</b>	<b>9,314,554</b>
<b>Total Capital Works Budgets</b>	<b>44,328,194</b>	<b>32,319,089</b>

It should be noted that the original budget for 2019/20 included a number of items that are no longer expected to be constructed in that year. Mitchell Park was originally forecast to be constructed in 2019/20 but has now been retimed – the \$6.6m in 2020/21 is included as part of the \$15.0m in 2019/20 and is not extra funding (total project is still budgeted at \$15.0m).

The budgets for the Regional Football Facility and BMX Track Development will be retimed when more information becomes available.

**City of Marion**  
**10 Year Financial Plan for the Years ending 30 June 2030**  
**BUDGET SUMMARY - GENERAL FUND**

		Projected Years								
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Income</b>										
Rates	81,378	83,492	85,661	87,886	90,169	92,511	94,914	97,379	99,909	102,504
Statutory Charges	2,213	2,268	2,325	2,383	2,442	2,503	2,566	2,630	2,696	2,763
User Charges	2,278	2,335	2,393	2,453	2,514	2,577	2,642	2,708	2,775	2,845
Grants, Subsidies and Contributions	6,667	7,041	6,272	7,395	6,445	6,606	6,771	6,941	7,114	7,292
Investment Income	505	987	1,073	1,131	1,176	1,233	1,288	1,349	1,422	1,512
Reimbursements	852	873	895	918	940	964	988	1,013	1,038	1,064
Other Income	516	496	502	507	513	518	524	530	536	543
Net gain - equity accounted Council businesses	365	376	387	399	411	423	436	449	462	476
<b>Total Income</b>	<b>94,774</b>	<b>97,868</b>	<b>99,507</b>	<b>103,071</b>	<b>104,611</b>	<b>107,336</b>	<b>110,129</b>	<b>112,999</b>	<b>115,953</b>	<b>118,998</b>
<b>Expenses</b>										
Employee Costs	37,230	38,212	39,077	40,121	41,093	42,206	43,177	44,170	45,186	46,225
Materials, Contracts & Other Expenses	35,584	34,157	34,854	34,599	35,344	36,227	37,777	38,059	39,010	39,984
Depreciation, Amortisation & Impairment	15,708	16,792	17,464	18,162	18,889	19,644	20,430	21,247	22,097	22,981
Finance Costs	322	329	590	628	536	468	398	324	247	172
<b>Total Expenses</b>	<b>88,844</b>	<b>89,490</b>	<b>91,984</b>	<b>93,510</b>	<b>95,862</b>	<b>98,545</b>	<b>101,781</b>	<b>103,800</b>	<b>106,539</b>	<b>109,362</b>
<b>Operating Surplus</b>	<b>5,930</b>	<b>8,379</b>	<b>7,523</b>	<b>9,562</b>	<b>8,749</b>	<b>8,791</b>	<b>8,348</b>	<b>9,199</b>	<b>9,414</b>	<b>9,637</b>
<b>Operating Surplus Ratio</b>	<b>6.26%</b>	<b>8.56%</b>	<b>7.56%</b>	<b>9.28%</b>	<b>8.36%</b>	<b>8.19%</b>	<b>7.58%</b>	<b>8.14%</b>	<b>8.12%</b>	<b>8.10%</b>
Amounts Received Specifically for New or Upgraded Assets	4,605	-	-	-	-	-	-	-	-	-
<b>Net Surplus / (Deficit) for the Year</b>	<b>10,535</b>	<b>8,379</b>	<b>7,523</b>	<b>9,562</b>	<b>8,749</b>	<b>8,791</b>	<b>8,348</b>	<b>9,199</b>	<b>9,414</b>	<b>9,637</b>
<b>Capital (Balance Sheet) and Reserve Movements</b>										
Capital Expenditure	(32,319)	(32,019)	(26,318)	(26,075)	(24,036)	(24,788)	(25,623)	(26,664)	(27,634)	(28,431)
Loan Repayments (External)	(1,245)	(994)	(1,714)	(2,044)	(1,470)	(1,537)	(1,607)	(1,681)	(1,759)	(1,419)
New Loan Borrowings (External)	2,000	8,000	2,960	-	-	-	-	-	-	-
Net Transfers (to)/from Reserves	5,686	242	(178)	793	(815)	(815)	(815)	(815)	(815)	(815)
<b>Total Capital (Balance Sheet) and Reserve Movements</b>	<b>(25,878)</b>	<b>(24,772)</b>	<b>(25,250)</b>	<b>(27,325)</b>	<b>(26,320)</b>	<b>(27,140)</b>	<b>(28,045)</b>	<b>(29,160)</b>	<b>(30,207)</b>	<b>(30,664)</b>
<b>Net Result (including Depreciation &amp; Other non-cash items)</b>	<b>(15,343)</b>	<b>(16,393)</b>	<b>(17,727)</b>	<b>(17,764)</b>	<b>(17,571)</b>	<b>(18,349)</b>	<b>(19,697)</b>	<b>(19,962)</b>	<b>(20,793)</b>	<b>(21,027)</b>
Add back Depreciation Expense (non-cash)	15,708	16,792	17,464	18,162	18,889	19,644	20,430	21,247	22,097	22,981
Less Other Income (non-cash)	(365)	(376)	(387)	(399)	(411)	(423)	(436)	(449)	(462)	(476)
<b>Cash Budget Surplus</b>	<b>-</b>	<b>23</b>	<b>(651)</b>	<b>0</b>	<b>907</b>	<b>872</b>	<b>297</b>	<b>837</b>	<b>842</b>	<b>1,478</b>

**City of Marion**  
**10 Year Financial Plan for the Years ending 30 June 2030**  
**KEY PERFORMANCE INDICATORS - GENERAL FUND**

		Projected Years									
		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
		<div><div></div> Within green benchmark (green min and/or green max)</div> <div><div></div> Within amber benchmark (amber min and/or amber max)</div> <div><div></div> Not within benchmark (amber min and/or amber max)</div>					<div><div></div> Within green benchmark</div> <div><div></div> above green maximum and below amber maximum</div> <div><div></div> below green minimum and above amber minimum</div> <div><div></div> above amber maximum</div> <div><div></div> below amber minimum</div>				
Council's Target Benchmarks											
Note 15 Ratios											
Operating Surplus Ratio	Snapshot	<div><div></div><div></div></div>									
	Actual Ratio	6.26%	8.56%	7.56%	9.28%	8.36%	8.19%	7.58%	8.14%	8.12%	8.10%
Net Financial Liabilities Ratio	Snapshot	<div><div></div><div></div></div>									
	Actual Ratio	-2.75%	4.49%	6.25%	4.78%	1.78%	-1.14%	-3.35%	-6.18%	-8.84%	-11.60%
Asset Renewal Funding Ratio	Snapshot	<div><div></div><div></div></div>									
	Actual Ratio	117.19%	105.22%	110.41%	109.20%	93.46%	92.96%	92.74%	93.36%	93.53%	92.80%

## Internal Audit Program 2020/21 - Payroll Internal Audit

<b>Originating Officer</b>	Manager Corporate Governance - Kate McKenzie
<b>Corporate Manager</b>	Manager Corporate Governance - Kate McKenzie
<b>General Manager</b>	General Manager Corporate Services - Sorana Dinmore
<b>Report Reference</b>	FAC200225R07

### REPORT OBJECTIVE

The purpose of this report is to provide a status update on progress of the Internal Audit Plan and to present any completed audits.

### EXECUTIVE SUMMARY

In October 2019, the FAC considered and endorsed the Internal Audit (IA) Plan for 2019/20 and 2020/21.

The following provides a status update for each Internal Audit

#### **Payroll (Completed) - Appendix 1**

This is the first collaborative IA to be completed by KPMG and in partnership with City of Charles Sturt (CCS). The scope of this IA was:

- test payroll controls and review previous audit findings,
- consider current processes with a LEAN lens and opportunities to share better practice between both Councils,
- review the adequacy of current payroll and human resources management reporting and opportunities to further develop reporting aligned to business needs and better practice,
- identify improvement areas and pain points.

The outcomes of the LEAN lens are outlined in section 2 of the report, with the finding/recommendations being listed in section 3.

The IA found:

- three (3) joint moderate findings
- two (2) joint process improvement opportunities.
- one (1) low finding for City of Marion.

A full copy of the report is attached in **Appendix 1**.

#### **Corporate Reporting and Metrics (In progress)**

The final scope was circulated to the FAC Members in February 2020 after receiving feedback at the December 2019 FAC Meeting. A kick off meeting has been scheduled and this IA will commence shortly. This is a City of Marion only review.

#### **Collaborative Model Health Check (Collaborative) (Delayed)**

This IA has been requested to be delayed. Currently working with the General Manager Corporate Services (and potentially CCS) for an alternate IA.

**IT Governance (In Progress)**

The FAC endorsed the scope in December 2019. This IA was waiting for the commencement of the new Manager, Digital Transformation and Information Technology. A kick off meeting was undertaken on the 24 February 2020. The completed audit will be presented to the May 2020 FAC meeting.

**Leasing (Collaborative) (scoping)**

A collaborative scoping meeting has been schedule with KPMG and City of Charles Sturt for 5 March 2020.

**RECOMMENDATION**


**That the Finance and Audit Committee:**

1. **Notes the progress of the Internal Audit Plan 2019/20.**
2. **Endorses the Collaborative Payroll Internal Audit Report (Appendix 1)**

**Attachment**

#	Attachment	Type
1	CoM Payroll Internal Audit Report - FINAL	PDF File



A man and a woman, both dressed in business attire, are looking at a tablet together. The man is on the left, wearing a white shirt and a striped tie, and the woman is on the right, wearing a light blue button-down shirt. They are both smiling and appear to be in a professional setting.

# Cities of Charles Sturt & Marion Collaborative Payroll Internal Audit Report

February 2020



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In accordance with the 2019/20 Internal Audit Plans for the City of Charles Sturt (CCS) and the City of Marion (CoM), collectively (the Councils), a collaborative internal audit focussing on the payroll and remuneration process was performed. The objective, scope and approach of this engagement are outlined below.

## 1.1 Objective

The objective of the internal audit was to assess the risks and controls associated with the CCS's and the CoM's payroll and remuneration processes, and to consider the service delivery/system options that may lead to enhanced performance to meet current business needs and better practice.

## 1.2 Scope

The scope of this internal audit included consideration over the following areas:

- Focused testing on key payroll controls, and the review of the status of previous payroll Internal Audit finding recommendations (CCS – September 2017 Payroll Internal Audit Report and the CoM - May 2016 Payroll Internal Audit Report)
- Consideration of current processes with a LEAN lens and opportunities to share better practice between both Councils
- The adequacy of current payroll and human resource management reporting, and opportunities to further develop reporting aligned to business needs and better practice
- Subsequent to identified improvement areas and pain points, providing high level consideration of the extent to which service delivery/system options may address identified pain points.

## 1.3 Collaborative Model and Approach

The payroll and remuneration internal audit has been the first joint project as part of the new Collaborative Internal Audit Model between the CCS and the CoM. Our approach in undertaking this joint internal audit as part of the Collaborative Model has included the following:

- Consideration of existing policies, procedures and process documentation relating to payroll and remuneration for both the CCS and the CoM.
- Interviews with key staff from the Finance, Payroll, Human Resources and IT teams across both Councils to obtain an understanding of payroll and remuneration processes and systems. As part of these interviews, the status of the implementation of recommendations from previous internal audit reports was also considered.
- Facilitation of a joint workshop with process representatives from the CCS and the CoM, Internal Audit and a KPMG LEAN specialist to analyse key payroll and remuneration processes with a LEAN lens.
- Based on interviews with key stakeholders and discussions during the joint workshop, a number of key risk areas were identified for focussed sample testing.

## 1.4 Construct of this Report

The construct of this report includes our observations over each primary area of our review, and is structured as follows:

- Colour coding has been utilised within the report to indicate findings and items associated with each Council, where **green** represents the **CCS**, **light blue** represents the **CoM**, and **dark blue** represents a **collaborative section**.
- The 'opportunities and recommendations' raised by LEAN workshop participants, including opportunities for improvement
- Joint and individual internal audit findings from our review of the key processes and selected controls for sample testing
- Results of the high level systems review of the information and technology environment supporting payroll, including identified opportunities for improvement
- The status of previous internal audit findings raised in the 2016 CoM Internal Audit report, and the 2017 CCS Internal Audit report
- Appendices, including further information on LEAN, the stakeholders consulted as part of this review, and risk rating criteria.

## 1.5 Current environment for payroll

Payroll is the largest operating expense for local Councils in South Australia. It is a landscape where the need to process payroll with 100% accuracy is performed in the backdrop of competing pressures, which include system capabilities, resourcing, different award types and changes in employment agreements. With recent news that large organisations such as Woolworths have been underpaying employees, there is an increased focus on ensuring employees are being remunerated accurately and appropriately.

CCS and CoM employees are remunerated under various enterprise agreements/enterprise bargaining agreements (EA and EBA). These agreements operate in conjunction with a number of awards and this adds to the complexity of processing payroll for employees. These awards include:

- South Australian Municipal Salaried Officers Award (for indoor employees based primarily in an office environment)
- Local Government Employees award (for outdoor employees based at Council Depots).

Accordingly, there is a need for Councils to ensure there are appropriate systems and controls in place and sufficient resources to enable an accurate and efficient payroll function.

## 1.6 Payroll at the CCS and the CoM

### Payroll team structures - CCS

- Payroll at the CCS sits within the People and Culture function.
- CCS's payroll team consists of a payroll administrator (0.7 FTE) and a payroll support officer (0.4 FTE), who report to the Manager, People and Culture. It is also noted an administrative officer based at the Beverly Depot is involved in the manual entry of outdoor staff daily timesheets into the payroll system.
- Total headcount at CCS is 530 staff as at June 30 2019.

### Payroll team structures - CoM

- Payroll at the CoM sits within the Finance function.
- The CoM's payroll team consists of a Senior Payroll Officer and a Payroll Officer (1.6 FTE combined), who report to the Unit Manager Statutory Finance & Payroll.
- Total headcount at CoM is 392 staff as at January 2020.

## 1.7 Positive Observations

A number of positive observations were identified during the course of this internal audit, and are summarised below with respect to the relevant Council:

- ✓ A large financial transformation program to improve the efficiency of the CoM's core financial systems is currently underway. This investment will help to improve the efficiency of the payroll process, and help to provide a more robust controls environment through the automation of a number of manual processes.
- ✓ A number of initiatives are currently underway at the CCS to improve the payroll process. A summary of these initiatives include:
  - A project is in progress to improve the efficiency of the on-boarding process, which includes the workflow related to new starters
  - A trial has been commenced for online timesheet submission for outdoor staff
  - Efforts are underway to investigate the separation of project costs and payroll processing
  - A range of payroll policy and procedures have been updated and are currently pending consultation and approval
  - A process was implemented to ensure staff update their banking and account details, and confirmations now take place to ensure details are correct before being finalised in the system.
- ✓ Payroll staff at both Councils displayed in-depth knowledge of the payroll function, including processes, systems, policy, and areas that could be improved.

## 1.8 Key themes and findings

Overall, we noted for both Councils that financial controls in place were robust, and a strong focus on continual improvement was demonstrated. This included a broad range of initiatives in progress to improve the efficiency and effectiveness of the payroll process.

However, it was noted that both Councils currently have a large amount of manual activities and intervention points across the payroll process. For both Councils this includes the daily processing of paper based timesheets for outdoor staff, and the management of TOIL (accrued time off).

During discussions with both Councils, it was noted that daily processing of timesheets involves excessive amounts of effort and follow up. It was further noted that the follow-up of inaccurate and unapproved timesheets is a historical and on-going issue that has reduced the efficiency of both administrative and payroll teams. As a result, value adding activities and other important payroll tasks often receive less attention.

As a result of the collaborative internal audit approach and LEAN workshop, through the sharing of better practice and knowledge, a range of common challenges and improvement opportunities were highlighted.

The following outlines some examples of common challenges and opportunities for improvement identified from our review:

- Further formalisation over the processes of recording and management of TOIL
- Manual payroll processes and intervention points which reduce efficiencies and the robustness of the payroll controls environment
- Opportunities to perform more frequent auditing (spot checks).

Numerous pain points identified for each Council were noted to be sector wide issues. This included issues such as:

- The insurance and workers compensation claim reconciliation process
- Transferring and recognising long service leave entitlements for on-boarding and departing employees.

## 1.9 Key Future Opportunities

A number of key opportunities have been identified for the CCS and the CoM during this review that can help to improve and strengthen the payroll functions.

Three main assessments were conducted throughout this review, including:

- LEAN process improvement and review
- Information control technology (ICT) assessment
- Internal audit, including a follow up of previous internal audit findings.

Through these assessments a number of shared opportunities were identified across both organisations, in addition to individual opportunities relating to one Council. The following provides an overview of identified opportunities.

### Shared Opportunities

- Work to automate manual processes, including paper based timesheets
- Define and develop procedures for managing employee TOIL (accrued time off)
- Develop more comprehensive reporting, including live data dashboards.

### City of Charles Sturt Opportunities

- Updates made to improve the functionality of the current payroll system
- Review of the current resourcing structure for the Payroll team
- Updating and implementing payroll procedures where gaps have been identified

### City of Marion Opportunities

- Continue working to implement a new payroll system that is fit-for-purpose
- Provide training to all staff on digital literacy to support future payroll initiatives.

# 2.0 LEAN Workshop Results

# 2.0 LEAN Workshop Results

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## 2.1 Overview of LEAN

LEAN is a systematic and proven approach to improve efficiency and productivity. By providing an alternative lens to see business challenges and opportunities, the delivery of customer value can be enhanced.

## 2.2 Objective of the LEAN Workshop

The objective of the LEAN workshop was to walk through the end-to-end payroll processes for both Councils. During the workshop, key pain points and opportunities for improvement were identified. This workshop also provided an opportunity for collaborative discussion between relevant stakeholders involved in the payroll process. Items discussed included key challenges, issues and learnings to help facilitate improvements in payroll processes.

The LEAN workshop was held with staff members from Payroll, Organisational Development, Finance and Governance across CCS and CoM (a full listing of attendees is included in Appendix 2). In conducting the workshop, the following processes were reviewed:

- New employees
- Termination of employees
- Pay cycle for indoor and outdoor employees
- Reporting and analysis.

Further information about LEAN is included in Appendix 1.

## 2.3 Customer Requirements

To assist workshop participants in identifying opportunities to enhance process efficiencies, participants were asked to identify the end ‘customers’ of the payroll process, and what these customers value from payroll.

The adjacent diagram, includes a summary of the key customers of the payroll process as identified by the LEAN Workshop participants.

Local Government Payroll “customers”



Workshop participants were asked to brainstorm what these customers value from payroll, these are summarised below. It is noted that the customers and values were identical for both Councils.


Customers		Value to customers	
Employees	➤	<b>Universal requirements across all customers:</b> <ul style="list-style-type: none"><li>— Timely and accurate recording of payroll information to ensure adequate payment.</li></ul>	<ul style="list-style-type: none"><li>• Reliable reporting information</li><li>• Customer service</li><li>• Communication/advice</li><li>• Not having to complete unnecessary paperwork</li><li>• Integrity of system</li><li>• Getting paid correctly</li><li>• Knowledge</li><li>• Low risk of fraud</li><li>• Flexibility</li><li>• Understanding EBA/EA provisions</li><li>• Automatic timesheets</li><li>• Assistance with calculations</li></ul>
Project Managers	➤		
Audit Committee	➤		
Government Agencies	➤		
Insurers	➤		
ATO	➤		

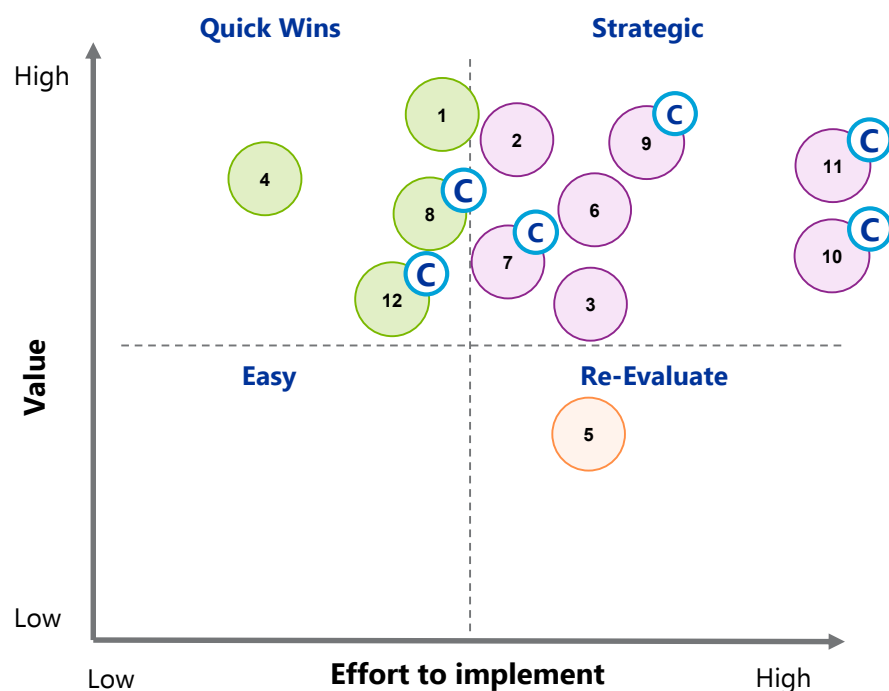
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## 2.4 City of Charles Sturt Good Ideas Prioritisation

During the workshop, participants from the CCS and the CoM discussed ‘Pain Points’ and “Good Ideas” to define and identify opportunities for improvement. The “Good Ideas” identified for the CCS are summarised below relative to the effort to implement and value added. These are further detailed in the following pages. The workshop outcomes include the following:

- 12 "Good Ideas", including 1 Re-Evaluate, 4 Quick Wins, and 7 Strategic Recommendations. The majority of recommendations relate to automating current manual processes.

 Indicates a collaborative opportunity "Good Idea" for both Councils.



## “Good Ideas”

1. Change new employee set up process so that the IT user form is completed first
2. Remove unnecessary information from the new employee form
3. Divorce costing approval from payroll approval
4. Add a standing agenda item at GM meetings for non-approval of timesheets
5. Develop an online form for Human Resources variations to capture all fields
6. Trialling electronic timesheet options via CiAnywhere
7. Opportunities and improvements in payroll and HR reporting
8. Develop formal procedures and investigate system opportunities for TOIL/ATO
9. Online leave forms
10. Process improvements for insurance protection and workers compensation claims
11. Communications between Councils regarding employee period of service
12. Digital literacy training

## 2.5 LEAN workshop findings – City of Charles Sturt




The following table outlines the ‘good ideas’ identified as part of the LEAN workshop. These ideas may help the CCS to improve the payroll function and associated processes. The finding description (it is noted these are not risk rated findings), action plan and priority rating are outlined for each idea. The rating key for each priority is shown below:

- **Quick Win** – An idea that requires minimal effort to implement, and adds high value to the payroll process
- **Strategic** – An idea that requires a higher level of planning and effort to implement, but adds high value by contributing to achieving longer term strategic objectives
- **Re-Evaluate** – An idea that requires extensive effort to implement and provides a low value outcome. As such, the idea may need to be re-evaluated.




#	"Good Idea"	Finding	Action Plan	Priority
1	Change new employee set up process so that the IT user form is completed first	New employees are required to complete an IT User Access Form prior to gaining system access. Delays with the completion of this form can result in an employee not obtaining system access within desired timeframes.	A project is already underway to change the new employee workflow process which will allow the new IT User Form to be completed earlier in the process.	Quick Win
2	Remove unnecessary information from the new employee form	The current new employee form includes a number of sections to be completed that may not be relevant for a large segment of new employees. The completion of these unnecessary sections (i.e. not related to the employees role) creates time inefficiencies.	Management will explore opportunities to amend and streamline the new employee hire form.	Strategic
3	Divorce costing approval from payroll approval	If employee time is costed to a work order, non-approval from the employee's supervisor can hold up payroll processing.	Management is currently exploring opportunities to separate the payroll payment process from the general ledger payroll posting process.	Strategic
4	Add a standing agenda item at GM meetings for non-approval of timesheets	Delays in approving timesheets can impact and delay processing the pay cycle.  Previously, there have been attempts to address this issue through reminder emails and other communication. However, this issue remains ongoing.	Management will explore the opportunity to add missing timesheet approvals (for repeated instances) as a standing agenda item at the GM meeting.	Quick Win



## 2.5 LEAN workshop findings – City of Charles Sturt

#	“Good Idea”	Finding	Action Plan	Priority
5	Develop an online form for Human Resources variations to capture all fields	Variations to indoor staff auto-pay cycles occur via paper forms which are processed by Human Resources. This form requires authorisation by the employee and relevant supervisor.	Management will explore the development of an online form processing indoor staff payment variations.	Re-Evaluate
6	Trialling electronic timesheet options via CiAnywhere	Currently, the payroll process for outdoor staff is highly manual, including the daily completion of paper based timesheets.	Electronic timesheets for outdoor staff to be implemented subsequent to the successful completion of the trial project.	Strategic
7	Opportunities and improvements in payroll and HR reporting 	Opportunities were discussed during the workshop regarding further utilisation of data analytics during the payroll reporting process, including utilising real time employee information through a Power BI dashboard, which could provide access to live data and metrics.	Refer to Joint Performance Improvement Opportunity 1, page 26, and CCS Internal Audit Finding 4, page 34.	Strategic
8	Develop formal procedures and investigate system opportunities for TOIL/ATO 	Currently ATO (accrued time off for overtime hours worked) is captured and approved inconsistently across the CCS for indoor staff. The approval of ATO is also completed on paper based forms. Additional ATO hours are then manually entered by Payroll.	Refer to Joint Internal Audit Finding 2, page 22.	Quick Win
9	Online leave forms 	Leave forms are completed on paper-based forms for outdoor staff. In addition to this being a manual and inefficient process, there is increased risk of leave forms being lost in the process.	Refer to Joint Internal Audit Finding 1, page 20.	Strategic

## 2.5 LEAN workshop findings – City of Charles Sturt

#	“Good Idea”	Finding	Action Plan	Priority
10	Process improvements for insurance protection and workers compensation claims 	There is an opportunity to collaborate with other Councils to lobby the insurance protection and workers compensation provider to improve the claim reconciliation process. It is noted the current reconciliation process is heavily manual and labour intensive, which is largely the result of the current invoicing structure and data provided.	Management will explore opportunities to collaborate and work with other Councils to lobby the local government insurer to improve bargaining power, with specific focus on improving the reconciliation process.	Strategic
11	Communications between Councils regarding employee period of service 	There is an opportunity to establish communications with other Councils to share on-boarding and departing employee information relating to period of service, helping to enable the calculation of an accurate long service leave provision. Departing employees are not required to notify their current employer when transferring to a state or local government organisation. As a result, Councils may not adequately account for long service leave liabilities if the departing employee does not notify the organisation.	Management will explore potential communication mechanisms to share the period of service for on-boarding and departing employees between councils. This may include employee exit interviews with targeted questions (i.e. are you moving to another local government organisation?).	Strategic
12	Digital literacy training 	Due to current workforce demographics, it is recognised that some employees may lack basic technology skills. This may create a barrier to achieving the CCS's future strategy and technology initiatives. Due to the ever-changing technology landscape, it is key that employees are trained in relevant/necessary technology skills.	Management will explore opportunities to provide technology skills training for all staff for varying levels of competency. This could include basic computer skills and systems training to assist new starters in having a minimum standard of technology skills and understanding.	Quick Win

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## 2.5 LEAN workshop findings – City of Charles Sturt

### CCS Management Comment

The People & Culture Team are committed to exploring all opportunities identified through the LEAN Workshop and leveraging the collaborative opportunities with the CoM. A recommendations report will be prepared for the CCS Executive Team to consider in line with the budget process for 2021-22.

Where there are no budget implications and a clear return on investment in relation to time, resources and effort has been identified, we would seek to implement the opportunity in 2020-21.

**Overall Responsibility:** Manager People & Culture


**Due Date:** 30 June 2021

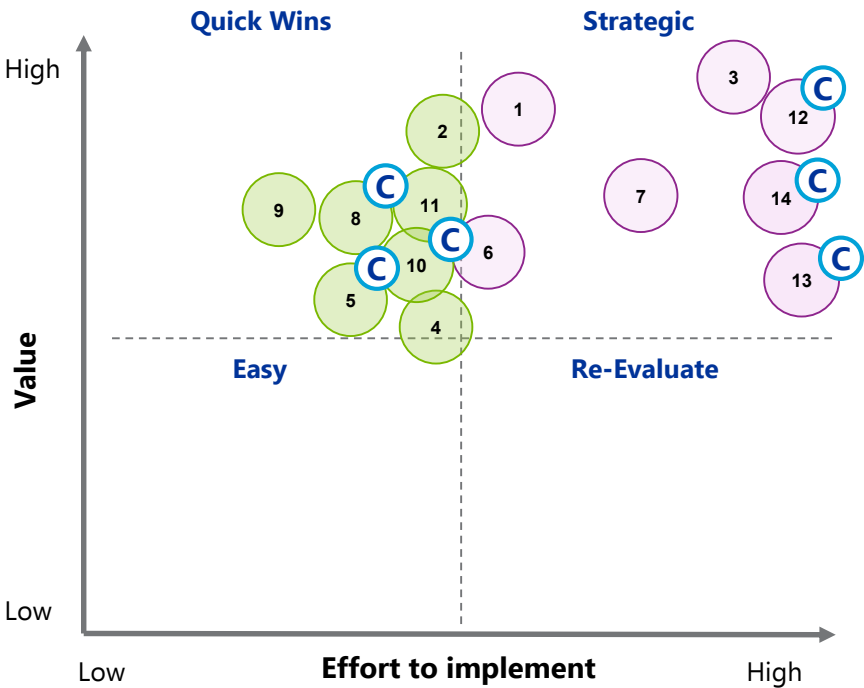
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## 2.6 City of Marion Good Ideas Prioritisation

The “Good Ideas” identified for the CoM are summarised below relative to the effort to implement and value added. These are further detailed in the following pages. The workshop outcomes include the following:

- 14 “Good Ideas”, including 7 Quick Wins and 7 Strategic Recommendations. The majority of the workshop’s recommendations relate to manual processes.


 Indicates a collaborative opportunity “Good Idea” for both Councils.




- “Good Ideas”**
1. Make all paper forms electronic
  2. Extend recruitment workflow to on-boarding
  3. New payroll system
  4. Investigate the automatic upload of the banking file
  5. Digital literacy training, including online payslips
  6. Automatic timesheet template for some employees (shift workers)
  7. Implement single source of truth for an active directory
  8. Opportunities and improvements in payroll and HR reporting
  9. Pre-populated variance reporting
  10. Develop formal procedures and investigate system opportunities for TOIL/ATO
  11. Escalate the Civica system issue
  12. Online leave forms
  13. Process improvements for insurance protection and workers compensation claims
  14. Communications between Councils regarding employee period of service

## 2.7 LEAN workshop findings – City of Marion

The following table outlines the ‘good ideas’ identified as part of the LEAN workshop. These ideas may help the CoM to improve the payroll function and associated processes. The finding description, action plan and priority rating are outlined for each idea. The rating key for each priority is outlined on page 9.

#	“Good Idea”	Finding	Action Plan	Priority
1	Make all paper forms electronic	Currently, new employee induction forms are paper based. Additionally, new employees do not always receive these forms prior to attending induction with the payroll team.	Opportunities will be explored to develop online employee inductions forms.	Strategic
2	Extend recruitment workflow to employee on-boarding	The employee recruitment process is undertaken by HR, and the employee on-boarding process is managed by the Payroll team. New starter information is not always provided to Payroll by HR in a timely manner which can cause delays in processing new starters.	Opportunities will be explored to extend the employee recruitment workflow process to include the on-boarding and induction process.	Quick Win
3	New payroll system	The current end to end payroll process is highly manual. This includes duplicated activity in manually entering employee timesheets for all staff on a fortnightly basis.  Overall, there is a lack of a fit-for-purpose system that provides the required functionality for an automated and efficient process.	Refer to ICT Suggested Next Steps, pages 41 - 43.	Strategic
4	Investigate the automatic upload of the banking file	The employee CSV bank file is currently saved on a locked server location. This file is then manually uploaded for processing.	Opportunities will be reviewed to automate the upload of the employee CSV bank file.	Quick Win
5	Digital literacy training, including online payslips 	Due to current workforce demographics, it is recognised that some employees may lack basic technology skills. This may create a barrier to achieving the CoM’s future strategy and technology initiatives. Due to the ever-changing technology landscape, it is key that employees are trained in relevant/necessary technology skills.  It was also noted that over half of the outdoor workforce receive hard copy pay slips.	Management will explore opportunities to provide technology skills training for all staff for varying levels of competency. This could include basic computer skills and systems training to assist new starters in having a minimum standard of technology skills and understanding.	Quick Win

## 2.7 LEAN workshop findings – City of Marion

#	“Good Idea”	Finding	Action Plan	Priority
6	Automatic timesheet templates	<p>90 indoor staff who are not on auto pay complete timesheets via an online form in SharePoint. However, SharePoint does not interface with payroll systems and this results in the Payroll Officer being required to manually code timesheets</p> <p>A number of these timesheets are for regular and on-going employee arrangements, highlighting an opportunity for pre-filled templates to improve the efficiency of the process.</p>	Management to explore the development of pre-filled templates for ongoing employee arrangements.	Strategic
7	Implement single source of truth for an active directory	Currently, employee information is located across various IT Systems that are not integrated. As a result, updating employee details is a time consuming process.	Liaise with the IT team to understand potential opportunities to implement a centralised employee directory, and how this may work with the implementation of a new IT System.	Strategic
8	Opportunities and improvements in payroll and HR reporting 	Opportunities were discussed during the workshop regarding further utilisation of data analytics during the payroll reporting process, including utilising real time employee information through a Power BI dashboard, which could provide access to live data and metrics. Additional opportunities include implementing payroll exception reporting to help improve the robustness of pay cycle reviews.	Refer to Joint Performance Improvement Opportunity 1, page 26.	Quick Win
9	Pre-populated variance reporting	Each exception reported during a pay cycle requires an individual explanation. This is a highly manual and labour intensive process.	Pre-populate common explanations for exceptions and variances, such as changes in employee details, change of position, etc.	Quick Win

# 2.0 LEAN Workshop Results – City of Marion

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## 2.7 LEAN workshop findings – City of Marion





#	"Good Idea"	Finding	Action Plan	Priority
10	Develop formal procedures and investigate system opportunities for TOIL/ATO 	Currently TOIL (time off in lieu in relation to overtime hours worked) is captured and approved inconsistently across the CoM for indoor staff.	Refer to Joint Internal Audit Finding 2, page 22.	Quick Win
11	Escalate the Civica system issue	The process for providing monthly employee superannuation reporting to the CoM's Superannuation Fund, includes a high level of manual intervention. This is as a result of system issues with Civica, which codes the data incorrectly.	Management will escalate this issue with Civica, and will explore the use of additional KPIs for future payroll system providers to ensure that issues are quickly remediated.	Quick Win
12	Online leave forms 	All employee leave forms are currently paper based. This results in a highly manual and inefficient process and increased risk of lost or misplaced leave forms.	Refer to ICT Suggested Next Steps, pages 41 - 43.	Quick Win
13	Process improvements for insurance protection and workers compensation claims 	There is an opportunity to collaborate with other Councils to lobby the insurance protection and workers compensation provider to improve the claim reconciliation process. It is noted the current reconciliation process is heavily manual and labour intensive, which is largely the result of the current invoicing structure and data provided.	Explore opportunities to collaborate with other Councils to lobby the local government insurer, with specific focus on improving the reconciliation process.	Strategic
14	Communications between Councils regarding employee period of service 	There is an opportunity to establish communications with other Councils (SA) to share on-boarding and departing employee information relating to period of service, helping to enable an accurate calculation of the long service leave provision. Departing employees are not required to notify their current employer when transferring to a state or local government organisation. As a result, Councils may not adequately account for long service leave liabilities if the departing employee does not notify the organisation.	Explore potential communication mechanisms to share the period of service for on-boarding and departing employees.	Strategic

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## 2.7 LEAN workshop findings – City of Marion

### CoM Management Comment

The findings resulting from the LEAN review will be addressed through CoM’s Digital Transformation process with a number of separate projects currently in progress.

**Overall Responsibility:** Manager Finance

**Due Date:** June 2021



# 3.0 Internal Audit Findings

Joint Findings and Improvement Opportunities

# 3.0 Internal Audit Findings - Joint Findings and Improvement Opportunities

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## 3.1 Joint internal audit findings

Internal audit findings in this report have been organised into two categories, as follows:

- Joint findings in relation to consistent observations and opportunities identified across both the CoM and the CCS (pages 19 to 28)
- Individual findings that apply to only one Council (pages 29 to 36).

Through discussions with process owners, documentation review and sample testing performed for both Councils, three (3) moderate rated findings and two (2) performance improvement opportunities (PIOs) were identified.

Overall, there are a number of opportunities going forward for both Councils to collaborate and share learnings from each other as they address the identified findings. These include:

- Leveraging formal procedures and processes regarding the recording and monitoring of time off in lieu/accrued time off
- The sharing of ideas and learnings regarding further development of payroll and human resources reporting
- Collaborating on ideas identified through the LEAN review, including the workers compensation claim reconciliation process, and the communication of long service leave for departing and on-boarding employees.

This section outlines the joint findings identified as part of this review. The risk rating for each finding has been mutually agreed by both Councils during the closing collaborative workshop. A section has been provided in each finding for a Management response from each Council.

Rating	Ref #	Description
Moderate	JT - F1	A number of key processes and controls are manual and paper based
Moderate	JT - F2	Lack of defined processes for managing time in lieu (TOIL)/accrued time off (ATO)
Moderate	JT - F3	Recurring issues related to previous internal audit findings
PIO	JT - PIO 1	Opportunities to improve human resources and payroll reporting
PIO	JT - PIO 2	Opportunity to perform more frequent payroll audits (spot checks)

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## Finding 1 – A number of key processes and controls are manual and paper based

Moderate

Finding(s)	Risk(s)	Recommendation(s)
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It was identified that both Councils undertake a large number of manual and labour intensive activities throughout the payroll process. For both Councils, this includes paper based timesheets and leave requests completed by outdoor staff, and the system input of these forms.

These manual processes have resulted in a number of pain points and inefficiencies, as identified during the LEAN workshop. Additionally, manual processes reduce the robustness of financial controls in place.

Specifically, the following observations were identified for each Council regarding manual payroll processes.

### CCS

A number of manual payroll processes are currently in place, mostly relating to outdoor staff, including:

- The daily processing of approximately 140 outdoor staff timesheets, equating to approx. 30,000 timesheets being processed each year. Timesheets are approved by the respective supervisor, and sent to the administration officer to be manually coded into Civica (payroll system). The administration officer is also responsible for following up any missing timesheets at the start of each week. It was noted that errors relating to incorrect timesheet completion and manual input occur on a regular (usually daily) basis.
- Leave is requested and approved by supervisors on paper based forms. The administration officer is required to code approved leave into Civica.

It is understood that current payroll software, CiAnywhere (TechOne add-on), has the functionality for timesheets to be completed on a tablet device. This would allow outdoor staff to complete timesheets electronically. It is understood that a pilot is currently being undertaken to trial electronic timesheet submission.

*Continued on following page*

Manual payroll processing may result in the following risks:

- Manual input error (which can be common under the given process)
- Potential for falsification of timesheet and leave request sign-off
- Timesheets and leave requests may not be handed in, lost, or filed incorrectly after they are coded
- Efficiency loss due to the amount of manual input required, and the follow-up required where errors have been made.

There is also a risk if employees designate their own manager to approve timesheets it may not align to delegations set by Management, in accordance with the organisation's hierarchy (CoM).

### CCS

1. Continue to investigate system opportunities and process improvements through the electronic timesheet pilot program.
2. Work to implement electronic timesheet and leave request submission for all staff.

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## Finding 1 – A number of key processes and controls are manual and paper based

Moderate

### Finding(s) Recommendation(s)

*Continued from previous page*

#### CoM

The following issues were identified in relation to manual processes:

- Outdoor staff complete paper based timesheets fortnightly which are required to be manually entered into Civica by the payroll administrator. It was also noted that more than half of all outdoor staff currently receive hard copy pay slips.
- Approximately 90 staff who are not on auto pay complete their timesheets on a fortnightly basis via an online form in SharePoint. As SharePoint does not interface with the Civica payroll system, this requires the payroll administrator to manually code timesheets into Civica.
- Employees have the ability to designate a manager to approve their timesheet in SharePoint. As the organisation's hierarchy in SharePoint is not integrated with Civica, an employee could select a manager that does not align with the organisation's hierarchy.
- Leave requests for indoor and outdoor staff are submitted to and approved by their supervisor via a paper based form.

It is recognised that the CoM is in the process of investigating system opportunities to resolve these issues. It is also noted this finding was identified in a 2016 Internal Audit Report.

#### CoM

1. Investigate system opportunities with specific focus on increased functionality, reporting, elimination of manual processes, and systems integration.
2. Decide upon and work to implement a new system that meets the organisation's requirements.
3. Reconsider the current process for assigning employee timesheet approvers. Specifically, consider ways to assign timesheet approvers based on the organisation's hierarchy

### CCS Management Action(s)

1. A budget bid has been prepared by IS for 2020-21 for the migration to TechOne CiA. This provides access to employees from any device through a portal and also provides additional reporting capability. Following implementation outdoor staff will be able to submit leave requests via CiA.  
**Target Date:** 30 June 2021 (subject to budget funding)
2. Continue to investigate system opportunities and process improvements through the electronic timesheet pilot program. A project scope would then be developed for implementation of the electronic timesheets for all outside staff.  
**Target Date:** 30 December 2020
3. A project scope to be developed to implement electronic timesheet and leave request submission for inside staff.  
**Target Date:** 30 January 2021

### CoM Management Action(s)

The findings and relevant recommendations identified across this review, and specifically from Finding 1, will be addressed through the CoM's Digital Transformation Program. It is further noted that a number of separate projects are also currently in progress.

**Responsibility:** Manager People & Culture & Manager Information Systems

**Target Date:** See individual actions above.

**Responsibility:** Manager Finance

**Target Date:** June 2021

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## Finding 2 – Lack of defined processes for managing time in lieu (TOIL)/accrued time off (ATO)

Moderate

Finding(s)	Risk(s)	Recommendation(s)
<p>It was identified for both Councils that a formal procedure is not in place for the recording and managing of TOIL / ATO for indoor staff.</p> <p>It was observed for both Councils that various Enterprise Agreements (EAs) and awards that outline staff TOIL/ATO entitlements are in place. However, a procedure that details the process for recording and monitoring of TOIL/ATO is not in place for either Council. For the CoM, the approval and use of TOIL is included at a high level within the Leave Arrangements Policy, and a TOIL procedure is currently under development.</p> <p>For both Councils, outdoor (wages) staff TOIL/ATO is processed and approved on a daily basis. However, for each Council's indoor (salaries) workforce TOIL/ATO is recorded and managed inconsistently across different teams. Specifically, it was observed through documentation review that the recording of TOIL/ATO is undertaken through a variety of mechanisms, including:</p> <ul style="list-style-type: none"> <li>Excel spreadsheets and word documents, with staff advising that these documents do not always reconcile (CCS)</li> <li>Recording of TOIL/ATO on timesheets where balances are recorded inconsistently across Payroll and/or individual teams (CoM).</li> </ul> <p>For both Councils, staff advised there is inconsistent understanding of the (undocumented) processes and responsibilities in place for managing TOIL/ATO. It was also noted for CoM that as a result of TOIL/ATO not always being entered into the payroll system, reporting may not capture all staff TOIL/ATO balances for indoor (salaries) employees. For CCS, it was noted the current payroll system is not being utilised in its full capacity to capture and report on staff TOIL/ATO balances.</p>	<p>If an effective process for managing indoor staff TOIL/ATO is not in place, it may result in inaccuracy of records and employees being over or undercompensated (via time off). The likelihood of this risk materialising is accentuated due to the manual processes currently in place.</p> <p>Additionally, in the absence of appropriate reporting and monitoring of TOIL/ATO, the following may occur:</p> <ul style="list-style-type: none"> <li>Issues may not be identified in a timely manner</li> <li>Issues may not be responded to in a timely manner (i.e. excessive leave balances)</li> <li>TOIL/ATO obligations may not be effectively managed.</li> </ul>	<ol style="list-style-type: none"> <li>Develop an overarching organisational procedure that details the process for recording and managing TOIL/ATO. It is further recommended this procedure includes: <ul style="list-style-type: none"> <li>Clearly defines the difference between TOIL/ATO and flexible work arrangements.</li> <li>Responsibilities for recording, monitoring and approval of TOIL/ATO</li> <li>Reporting processes for TOIL/ATO balances, and time taken</li> <li>The inclusion of a tool/mechanism for the recording of TOIL/ATO.</li> </ul> </li> <li>Consider system opportunities for both recording and reporting on TOIL/ATO to reduce the level of manual input, and provide management with information to help monitor and manage TOIL/ATO effectively.</li> <li>Consider collaborating (CCS/CoM) on the development of these procedures to leverage and share ideas, resources and existing information.</li> </ol>

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## Finding 2 – Lack of defined processes for managing time in lieu (TOIL)/accrued time off (ATO)

**Moderate**

### CCS Management Action(s)

1. Determine an overarching organisational approach and process for recording and managing TOIL/ATO.  
**Target Date:** 30 June 2020
2. Determine and scope the technology for recording TOIL/ATO.  
**Target Date:** 30 January 2021
3. Prepare a budget bid for 2021-22 for any additional required technology.  
**Target Date:** 30 January 2021
4. Collaborating (CCS/CoM) on the development of the approach, where possible, to leverage and share ideas, resources and existing information.  
**Target Date:** Ongoing

**Responsibility:** Manager People & Culture & Manager Information Systems

**Target Date:** See individual actions above.

### CoM Management Action(s)

1. City of Marion currently reports on TOIL where it is recorded through the payroll system on a monthly basis.
2. Expedite development of "Leave arrangements: TOIL" procedure per Council's Leave Arrangement Policy.

**Responsibility:** Manager Human Resource

**Target Date:** June 2020

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## Finding 3 – Recurring issues related to previous internal audit findings

Moderate

Finding(s)	Risk(s)	Recommendation(s)
<p>It was identified that for both Councils there have either been recurring or unresolved issues related to previous internal audit findings. Refer to Appendix 1 for full details on previous internal audit findings and recommendations.</p> <p>The following observations were identified for each respective Council.</p> <p><b>CCS</b></p> <p>The following internal audit findings identified in the 2017 Internal Audit report were noted as not being fully resolved:</p> <ol style="list-style-type: none"> <li>Inefficient paper based timesheet process utilised for field staff.</li> </ol> <p>It was previously recommended that an automated system process be implemented to manage outdoor staff timesheets.</p> <p>Through stakeholder interviews and the LEAN review, it was identified that outdoor staff are still required to manually complete timesheets and receive hard copy supervisor approval. Outdoor timesheets are then manually coded into Civica.</p> <p>It is noted a pilot is currently running to trial electronic timesheet submission for outdoor staff.</p> <p>See Joint Finding 1 for further details.</p> <p><b>CoM</b></p> <p>The following internal audit findings identified in the 2016 Internal Audit report have not yet been completely resolved:</p> <ol style="list-style-type: none"> <li>Insufficient communication between Human Resources and Payroll team</li> </ol> <p>The agreed Management action associated with this finding stated that a centralised file storage system would be implemented so that only one location existed for storing employee files across HR and Payroll.</p> <p>It was identified that whilst a single system was established, there are still two separate file storage locations for HR and Payroll within the same system.</p> <p><i>Continued on following page</i></p>	<p>If internal audit findings are not completely resolved in a timely manner, it could result in:</p> <ul style="list-style-type: none"> <li>Non-compliance with internal policy and/or legislation</li> <li>Key risks are left uncontrolled and could materialise.</li> </ul> <p>Specific risks for the identified issues have been outlined in the respective finding within this report (see finding references).</p>	<p><b>CCS</b></p> <ol style="list-style-type: none"> <li>Subsequent to the pilot program, work to implement electronic timesheet submission capabilities. This should be done in a timely manner, with clear milestones set and responsibilities defined for delivery.</li> </ol> <p><b>CoM</b></p> <ol style="list-style-type: none"> <li>Work to ensure that all internal audit recommendations are actioned and implemented as soon as practicable to ensure identified risks are mitigated, and issues are resolved. This should apply for all findings listed in this report, and previous internal audit findings that are not completely addressed.</li> </ol>

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## Finding 3 – Recurring issues related to previous internal audit findings

Moderate

Finding(s)	Risk(s)	Recommendation(s)
<p><i>Continued from previous page</i></p> <p>2. Lack of review and timeliness of reconciliation process</p> <p>It was previously recommended that all (payroll) account reconciliations should be completed and reviewed in a timely manner.</p> <p>It was identified through sample testing that the annual leave provision summary was produced on 30 September 2019, however, the reconciliation and review process was not completed until 23 December 2019.</p> <p>See CoM Finding 1 for further details.</p>		
<p><b>CCS Management Action(s)</b></p> <p>CCS will continue to investigate system opportunities and process improvements through the electronic timesheet pilot program. Subsequently, a project scope will be developed for implementation of electronic timesheets for all outside staff.</p>	<p><b>CoM Management Action(s)</b></p> <p>Since the 2016 Payroll internal audit, CoM has increased the frequency of reconciliations, particularly around accruals, from annually/quarterly to monthly to improve its financial reporting against budget and enable better variance analysis.</p> <p>Through the Digital Transformation process, CoM will be aiming for these accruals to be built into the new system, removing the need for manual calculations to be performed. Before this is implemented we will focus on improving the timeliness of reconciliations.</p> <p>Capability around one source for record keeping relating to employee recruitment and retention will also be included as a key requirement for the new system.</p>	
<p><b>Responsibility:</b> Manager People &amp; Culture &amp; Manager Information Systems</p> <p><b>Target Date:</b> 31 December 2020</p>	<p><b>Responsibility:</b> Manager Finance/Financial Transformation Lead</p> <p><b>Target Date:</b> June 2021</p>	



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## PIO 1 – Opportunities to improve human resources and payroll reporting

PIO

Finding(s)	Risk(s)	Recommendation(s)
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An assessment of payroll and human resources reporting identified gaps in the reports produced, and the ability of payroll systems to produce reports for Management review and decision making purposes.

It is noted that for both Councils reporting is completed relating to FTEs, pay cycle calculations and pay cycle variances. Whilst these reports are produced and reviewed, other reporting gaps were identified, including:

- Reporting on overtime is not sophisticated, and is currently reported against budget through financial reporting. As a result, there is a lack of complete visibility of overtime hours that staff have performed (CCS and CoM)
- No customisable/sophisticated live dashboard reporting is available for Management (CCS and CoM)
- Current payroll systems do not have the capability to produce variance reports that are easy to read and contain explanations for variances (CoM).

As a result of stakeholder consultation, it was noted that a real time information dashboard for employee data would be beneficial for each Council. Examples of dashboard reporting which would be beneficial included workforce productivity, vacant positions, annual and sick leave and hot weather time taken. A live dashboard can display current human resources and payroll statistics, providing real time information to Management to react and make decisions efficiently.

- Management may not have sufficient oversight of all key area of the business, specifically HR and Payroll. This may impact on the ability the ability of Management to identify issues, and make quick decisions to resolve issues or make business changes.
- Overtime payments may be made inappropriately, where the hours are not reasonable and/or overtime payments are not paid at the correct rate.
- Variances may not be identified, resulting in remuneration issues not being identified (CoM).

1. Investigate system opportunities that would allow for capture and reporting of staff overtime, and enable more effective reporting mechanisms including live dashboards. As first priority, work to implement overtime reporting to ensure overtime can be appropriately monitored and managed (CCS and CoM).
2. As above, investigate system opportunities that would allow for more effective variance reporting (CoM).
3. Ensure that if new reports are implemented, they are reviewed and approved by the appropriate delegate (CCS and CoM).
4. Consideration is given to the reporting functionality of new systems and system upgrades.

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## PIO 1 – Opportunities to improve human resources and payroll reporting

PIO

### CCS Management Action(s)

1. Investigate system opportunities that would allow for capture and reporting of staff overtime, and enable more effective reporting mechanisms including live dashboards. This would need to be explored in partnership with IS and following the successful budget bid for the Power BI Platform. A budget bid has been submitted for 2020-21.  
**Target Date:** 30 June 2021
2. As first priority, investigate current reporting capability within the TechOne system in relation to overtime reporting to ensure overtime can be appropriately monitored and managed (CCS and CoM).  
**Target Date:** 30 June 2020
3. Review and update current processes to ensure all Payroll reports are reviewed and approved by the appropriate delegate (CCS and CoM).  
**Target Date:** 30 June 2020

**Responsibility:** Manager People & Culture & Manager Information Systems

**Target Date:** See individual actions above.

### CoM Management Action(s)

City of Marion currently has limited payroll/HR reporting available in a PowerBI dashboard. We are looking to further extend these capabilities. CoM will also ensure that these recommendations are incorporated into the requirements as part of its Digital Transformation project.

**Responsibility:** Manager Finance/Financial Transformation Lead

**Target Date:** June 2021

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## PIO 2 – Opportunity to perform more frequent payroll audits (spot checks)

PIO

### Finding(s)

In the last two years the Fair Work Ombudsman has commenced over 80 litigation proceedings with Australian employers relating to staff underpayments. There is a recent heightened focus and scrutiny over payroll, and organisations need to ensure processes and practices meet legislative requirements.

The Australian Payroll Association recommends organisations regularly conduct self-audits to ensure compliance with remuneration payments and various awards in place.

It is noted that for organisations with complex payroll environments (i.e. CCS and CoM), spot checks and audits over payroll operations and controls can be highly beneficial by helping to identify issues. Identified issues can then be resolved to avoid heavy penalties associated with non-compliance.

It is noted that payroll financial controls are reviewed on an annual basis by relevant staff and Management for each Council. However, independent 'spot checks' are not performed, which would provide additional assurance over the operating effectiveness of core payroll controls. For the CCS, it is further noted that current Payroll team resourcing levels restricts the number of spot checks that can be completed.

### Risk(s)

If an organisation is non-compliant with payroll legislation it could result in:

- Disgruntled staff and potentially higher staff turnover
- Damaged reputation
- Penalties and tribunals enforced by SafeWork SA (local government regulator).

### Recommendation(s)

1. The CCS and the CoM consider conducting more regular reviews over payroll activities and processes. This may be in the form of audits or spot checks of key controls for high rated risks.
2. Further to the above recommendation, consider collaborative opportunities to conduct spot checks and payroll audits.
3. Work to action recommendations of internal audit findings quickly as they arise to help ensure the organisation remains compliant with relevant legislative requirements.

### CCS Management Action(s)

1. CCS to scope out an annual calendar of spot check activities to be undertaken by the Manager People & Culture, and conduct these on a bi-monthly basis to commence 1 July 2020.  
**Target Date:** Commence 1 July 2020.
2. CCS and CoM to explore the opportunity to conduct spot checks and payroll audits at each other's organisations.  
**Target Date:** 30 June 2020
3. Manager People & Culture to meet with the Payroll Team on a bi-monthly basis following the spot check audits to provide findings and feedback and monitor the completion of recommendations of internal audit findings.  
**Target Date:** Commence 1 July 2020

**Responsibility:** Manager People & Culture

**Target Date:** See individual actions above

### CoM Management Action(s)

Payroll financial controls (both system and manual) are assessed for effectiveness on an annual basis, with independent review performed by Council's external auditors. These controls are applied throughout the year and where issues/weaknesses are identified these are actioned to reduce the likelihood and/or consequence of any risks. We will be aiming to automate as many of these controls in a new payroll/HR system.

**Responsibility:** Manager Finance/Financial Transformation Lead

**Target Date:** June 2021

## 4.0 Internal Audit Findings

Individual Findings and Improvement Opportunities

## 4.1 Internal audit findings (City of Charles Sturt)

Through our discussions with the process owners, documentation review and sample testing performed, Internal Audit identified two (2) moderate rated findings, and two (2) low rated findings. The following table provides a summary of the risk rated findings identified. Findings and recommendations were discussed with Management. Management has accepted the findings and has agreed action plans to address the recommendations.

Rating	Ref #	Description
Moderate	CCS - F1	Resourcing and segregation of duties across payroll activities
	CCS – F2	Outdoor staff timesheets are not consistently completed and approved in a timely manner
Low	CCS - F3	Payroll procedures require updating
	CCS - F4	No defined process for managerial review and approval of employee deductions or Masterfile variances

The classification of risk ratings in this report are based on the risk ratings documented at **Appendix 3**.

## Finding 1 – Resourcing and segregation of duties across payroll activities

Moderate

### Finding(s)

It was identified that current FTE allocation for the CCS Payroll team is below industry benchmarks. Additionally, there is a lack of segregation of duties resulting from the current Payroll team structure.

A recent benchmarking study conducted by the Australian Payroll Association showed the average payroll FTE (solely focused on processing fortnightly pay cycles, not including admin duties) per 500 staff is 1.2. This benchmarking statistic assumes the amount of manual processes and intervention is low. It is noted that CCS have 1.1 payroll staff for 530 employees as at June 30 2019. A high number of manual intervention points across the CCS payroll process was observed, in addition to the increased complexity of the payroll environment resulting from the various awards and enterprise agreements in place.

It was also noted that there is a lack of segregation of duties across the CCS payroll process for key payroll activities. Specifically, this included the Payroll Officer involved in performing the following activities:

- Entering new employee details in TechOne and the updating of employee Masterfile information (such as bank account details) without an approval process in place
- Preparation and processing of the pay cycle
- Producing and reviewing of the payroll audit Masterfile report.

In addition to these core payroll activities, the Payroll Officer performs a significant volume of other tasks including (but not limited to) assisting with existing employee details, processing termination payments, and managing payment queries from employees.

For internal controls to be effective, there should be adequate segregation of responsibilities among those who perform payroll Masterfile entry, pay cycle execution and reporting.

### Risk(s)

- An under-resourced payroll team could result in the following:
- Errors being made relating to employee details payments
  - No time available to conduct other tasks including procedure/process documentation maintenance, reporting, etc.
  - Key person reliance, especially where key payroll processes are not documented
  - Risk of excess strain placed on payroll staff, impacting the level of staff turnover.

A lack of segregation of duties may result in the following:

- Lack of review and approval over payroll activities and executions which could result in fraud, incorrect payments, and errors not being identified.

### Recommendation(s)

1. Conduct an assessment of the level of resourcing within the Payroll team to determine whether additional resourcing and support may be required.
2. Consider the key payroll tasks currently being conducted, and the respective responsibilities / resourcing in place to determine whether there is appropriate segregation of duties.

### Agreed Management Action(s)

1. Manager People & Culture to submit request for additional resources.  
**Target Date:** 29 February 2020
2. Once resourcing levels have been determined, a review of segregation of duties will be conducted and recommendations implemented.  
**Target Date:** 30 August 2020

**Responsibility:** Manager People & Culture

**Target date(s):** See individual actions above

## Finding 2 – Outdoor staff timesheets are not consistently completed and approved in a timely manner

Moderate

Finding(s)	Risk(s)	Recommendation(s)	Agreed Management Action(s)
<p>During the LEAN collaborative workshop, it was noted timesheets for outdoor staff are not always approved on time. As a result, there is a significant amount of follow-up activity performed by administration staff which is an inefficient use of Council resources.</p> <p>Outdoor employees are required to complete a daily timesheet to cost their time to a work order. The timesheet must be approved by the responsible line manager prior to being coded into TechOne by the Administration Team. The Administration Team process approximately 140 timesheets per day.</p> <p>Through stakeholder consultation it was noted that on most days there are instances of timesheets being completed incorrectly, or not being approved in a timely manner by the relevant line manager. This often requires an Administration Officer to spend additional (non-value adding) time following up staff to ensure the timesheet is correctly completed and approved prior to its entry into the Civica payroll system.</p> <p>As a result of our desktop documentation review, Internal Audit identified 37 instances of timesheets that required follow-up for amendments on the 2<sup>nd</sup> and 30<sup>th</sup> December 2019.</p> <p>Management advised that communications including emails, phone calls and discussions have been conducted to remind staff of the requirements for timesheet completion and timely submission; however, this is noted as an on-going issue.</p>	<ul style="list-style-type: none"> <li>Efficiency loss due to the amount of time required for timesheet follow-up activities.</li> <li>Non-approval of timesheets could result in time delays in processing payments. Additionally, it may also result in errors if payroll staff are placed under time pressure to obtain timesheet information and input this into the system before payments are executed.</li> </ul>	<p>It is recommended the CCS consider:</p> <ol style="list-style-type: none"> <li>Continue to work towards separating the costing of timesheets to a work order, and the costing of payroll. This can enable timesheets for capital project staff to be processed in the fortnightly pay cycle without prior approval required from a line manager.</li> <li>Due to process limitations associated with manual timesheet approval and subsequent delays in processing, CCS should continue efforts to implement a system with functionality that enables automatic reminders and workflows for timesheet approval.</li> <li>Sending out reminders to relevant line managers and staff outlining timesheet submission requirements and timeframes.</li> <li>Implementing a disciplinary system, or targeted communications for repeat offenders who do not correctly populate or submit timesheets on time.</li> </ol>	<ol style="list-style-type: none"> <li>Management to continue discussions in relation to implementing the separation of the payroll payment process from the general ledger payroll posting process.</li> <li>Ensure an implementation date is determined and a action plan developed to ensure a seamless transition.</li> </ol>

**Responsibility:** Manager People & Culture

**Target date(s):** 30 June 2020

## Finding 3 – Payroll procedures require updating

Low

Finding(s)	Risk(s)	Recommendation(s)	Agreed Management Action(s)
<p>It was identified through documentation review and stakeholder interviews that a number of key payroll procedures have not been updated to reflect current procedures and processes.</p> <p>Documents that require updating include:</p> <ul style="list-style-type: none"> <li>Entering leave (last updated 24 Oct 2013)</li> <li>Setting up a new employee (last updated 1 May 2012)</li> <li>Uploading bank download file to bank (last updated 2 April 2014).</li> </ul> <p>The CiAnywhere system (TechOne add-on) has been implemented across the organisation, and the listed documents have not been updated to reflect system changes.</p> <p>It is noted that a process is underway to update all payroll procedures, and five procedures have already been updated.</p>	<p>The absence of accurate and updated payroll processes and procedures could result in:</p> <ul style="list-style-type: none"> <li>Key person reliance and lack of knowledge retention within the Payroll team.</li> <li>New payroll staff may have difficulty in executing payroll procedures, potentially resulting in errors, delays in payment processing, etc.</li> </ul>	<ol style="list-style-type: none"> <li>Continue to update payroll processes and procedures in accordance with current systems and business processes.</li> <li>Update processes and procedures as changes occur within the Payroll team, systems and other requirements.</li> </ol>	<ol style="list-style-type: none"> <li>Ensure a timetable is developed for process and procedure review. <b>Target Date:</b> 31 December 2020</li> <li>Ensure all Payroll procedures are reviewed and updated. <b>Target Date:</b> 30 June 2021</li> </ol>

**Responsibility:** Payroll Administrator

**Target date(s):** See individual actions above



# 4.0 Internal Audit Findings – City of Charles Sturt

## Finding 4 – No defined process for managerial review and approval of employee deductions or Masterfile variances

Low

Finding(s)	Risk(s)	Recommendation(s)	Agreed Management Action(s)
<p>It was identified through sample testing and stakeholder consultations that a defined process for reviewing and approving employee deductions and Masterfile variances is not in place.</p> <p>Specifically, the following was identified:</p> <ul style="list-style-type: none"> <li>The employee deductions report is produced as part of a suite of payroll reports each pay cycle. Whilst this report is produced and provided to Management via email, evidence of review and approval for this report was not able to be provided. Staff informed this issue is likely due to no overarching process in place to govern the review and approval of this report.</li> <li>The Masterfile audit report is currently being reconfigured by the IT team to be more user friendly and easier to interpret. As a result, the report is not currently being produced or formally reviewed by management. Additionally, there is no defined process and checklist in place for reviewing the Masterfile audit report.</li> </ul> <p>It is noted this finding was also raised in the 2017 Internal Audit report.</p>	<p>In the absence of a process for reviewing employee deductions and Masterfile variances, the following may occur:</p> <ul style="list-style-type: none"> <li>Inaccuracies and errors may not be identified, impacting the accuracy of remuneration payments</li> <li>Errors in staff payment and personal details may not be identified. This can increase the chance of fraud and /or failure to meet Fair Work obligations.</li> </ul>	<ol style="list-style-type: none"> <li>Continue completing work to improve reports so that Management can easily interpret and read the data to ensure it is accurate, and to identify issues.</li> <li>Develop and implement a process for reviewing employee deductions and Masterfile audit reports, noting the key items to be checked within the report.</li> <li>Ensure that all employee deduction and Masterfile audit reports receive formal sign-off by the appropriate delegate.</li> </ol>	<ol style="list-style-type: none"> <li>Redefine the requirements of the Masterfile Audit Report <b>Target Date:</b> 30 June 2020</li> <li>Continue completing work to improve reports so that Management can easily interpret and read the data to ensure it is accurate, and to identify issues. <b>Target Date:</b> In progress</li> <li>Develop and implement a process for reviewing employee deductions and Masterfile audit reports. <b>Target Date:</b> 30 June 2020</li> <li>Ensure that all employee deduction and Masterfile audit reports receive formal sign-off by Manager People &amp; Culture. <b>Target Date:</b> Commencing July 2020</li> </ol>

**Responsibility:** Manager People & Culture

**Target date(s):** See individual actions above

## 4.2 Internal audit findings (City of Marion)

Through our discussions with the process owners, documentation review and sample testing performed, Internal Audit identified one (1) low rated finding. The following table provides a summary of findings identified. These findings and recommendations were discussed with Management. Management has accepted the findings and has agreed action plans to address the recommendations.

Rating	Ref #	Description
Low	CoM - F1	Timeliness of the reconciliation process

The classification of risk ratings in this report are based on the risk ratings documented at **Appendix 3**.

# 4.0 Internal Audit Findings – City of Marion

## Finding 1 – Timeliness of the reconciliation process

Low

Finding(s)	Risk(s)	Recommendation(s)	Agreed Management Action(s)
<p>The City of Marion's Payroll team is required to conduct a number of account reconciliations at various times throughout the year. The reconciliation process should occur in a timely manner at designated intervals to ensure that any issues with payroll accounts can be identified and resolved quickly. Additionally, this process helps to validate the accuracy of financial forecasts.</p> <p>Through documentation review it was identified that the annual leave provision reconciliation process for September 2019 was not completed in a timely manner.</p> <p>The annual leave provision summary was produced on 30 September 2019, and the reconciliation process for this account should have been completed within (approximately) two weeks. However, the reconciliation and review process was not completed until 23 December 2019. The total value of this account is \$2,530,228.70.</p> <p>It was advised that the reconciliation was not completed in a timely manner as staff were focused on constructing end-of-year financial statements at the time.</p> <p>It is noted this finding was also raised in the 2016 Internal Audit report.</p>	<p>If reconciliation activities are not conducted in a timely manner, it may result in:</p> <ul style="list-style-type: none"> <li>Issues remaining unidentified for extended periods of time, potentially impacting the organisation's ability to resolve them.</li> <li>Reduction in the validity of financial forecasts.</li> </ul>	<p>Ensure that reconciliation activities are undertaken in a timely manner (i.e. within one to two weeks) at the defined intervals.</p>	<p>Since the 2016 Payroll internal audit, CoM has increased the frequency of reconciliations, particularly around accruals, from annually/quarterly to monthly to improve its financial reporting against budget and enable better variance analysis.</p> <p>Through the Digital Transformation process, the CoM will be aiming for these accruals to be built into the new system, removing the need for manual calculations to be performed. Before this is implemented we will focus on improving the timeliness of reconciliations.</p> <p>Capability around one source for record keeping relating to employee recruitment and retention will also be included as a key requirement for the new system.</p>

**Responsibility:** Manager Finance/Financial Transformation Lead

**Target date(s):** June 2021

# 5.0 ICT Systems Review

Findings and  
Observations

## 5.1 ICT System Review Approach

This review evaluated the current Payroll system across six dimensions, based on better practice principles and industry (local government) benchmarking. The ratings and recommendations align to the pain-points identified through stakeholder consultations, including the LEAN workshop. The six dimensions include the following:



### FUNCTIONALITY

The capability of the payroll system to provide end-to-end functionality, enabling the payroll function to perform all required system processes.



### AUTOMATION

The system is used to automate payroll processes based on better practice to improve operational efficiency and data accuracy.



### REPORTING

The capability of the system to generate reports required for financial and payroll reporting periods.



### GOVERNANCE & CONTROL

The system provides the business with the capability to log changes, and establish governance across the payroll function. Specifically, data accessibility and approvals are performed by the approved users.



### INTEGRATION

Systems utilised in the payroll process are integrated, and data is shared to ensure accuracy and to maintain a single-source of truth.



### BUSINESS PROCESS

Business processes are aligned to system processes, or are executed via system enabled processes.

## 5.2 Current Technology Landscape

Through our experience working with other Councils in digital transformation programs and best practice payroll processes, we have developed in-depth knowledge of the payroll technology landscape and the solutions that are best suited to local government environments. The following outlines potential solutions that can provide the required payroll functionality for the CoM and the CCS.



## 5.3 Summary of Findings (System View)



### FUNCTIONALITY

- The CCS utilise the TechOne HRP module, which provides adequate functionality to execute required payroll processes.



Assessment Rating



### AUTOMATION

- There are opportunities to further leverage TechOne's functionality to automate the existing pay cycle process for outdoor staff.



Assessment Rating



### INTEGRATION

- The TechOne HRP module is part of the OneCouncil Enterprise solution which provides an integrated solution that meets the requirements of the CCS Payroll function.



Assessment Rating



### REPORTING

- TechOne's HRP module provides an adequate level of reporting and analysis capabilities for staff and customers.

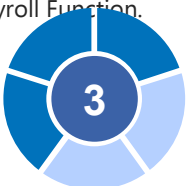


Assessment Rating



### GOVERNANCE & CONTROL

- There are opportunities to further leverage TechOne's auditing and notification capabilities to provide an additional layer of governance and control within the Payroll Function.



Assessment Rating



### BUSINESS PROCESS

- There is an opportunity to consolidate the pay cycle and project-based costing on timesheets to improve accuracy and reduce manual processes.



Assessment Rating

## Suggested Next Steps

As informed by this assessment and industry benchmarking, the City of Charles Sturt's payroll system landscape is at a sufficient maturity for performing the required payroll activities.

The suggested next steps relate to optimising the existing Payroll system to deliver further efficiencies through automation, governance & control, and processes, including:

- Automating outdoor staff pay cycle processes (see Joint Finding 1)
- Utilising and configuring system auditing and notification functionality
- Limiting manual processes by transitioning into system enabled processes.

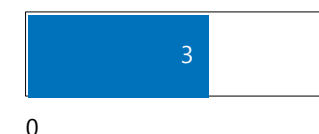
An assessment should take place to prioritise these steps against business objectives and the level of investment required.

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**THEME**
**KEY OPPORTUNITIES FOR IMPROVEMENT**
**ASSESSMENT RATING**
**FUNCTIONALITY**

- TechOne's HRP module provides the end-to-end payroll functionality required for the City of Charles Sturt. There is an opportunity to further utilise TechOne's existing functionalities to enable automation of existing manual payroll processes.


**AUTOMATION**

- While ESS is utilised by indoor staff for completing leave applications and timesheets, outdoor staff do not utilise the existing functionality due to lack of accessibility to a device. This results in manual workflows for processing, approvals, and follow-up.
- Paper based workflows exist for variations to employee time and leave data. This requires manual approval from the employee's supervisor.
- Insurance income protection and workers compensation calculations for outdoor staff is dependent on manual data entry and reconciliation by the payroll administrator.


**INTEGRATION**

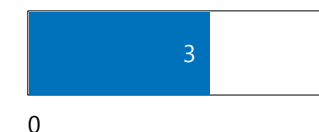
- TechOne's HRP module is part of TechOne's Enterprise Solution that provides integration with Finance for payroll posting to the GL.


**REPORTING**

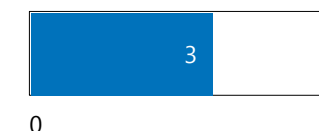
- The TechOne HRP module provides required reports for the Payroll and Finance functions, however, improvement opportunities for reporting have been identified. Refer to Joint Performance Improvement Opportunity 1 for more details.


**GOVERNANCE &  
CONTROL**

- There is lack of system enabled notifications/reminders configured, resulting in inefficiencies in the approval process and project based costing accuracy.


**BUSINESS  
PROCESS**

- There are separate payroll processes performed for outdoor staff and indoor staff, which introduces inefficiencies and data integrity issues due to manual processing and data entry.
- If timesheets are not approved, any hours spent on a project are still required to be manually coded so that project costs are recognised. As a result of this process, there is a risk that timesheets do not accurately capture the correct project costs.

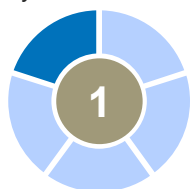


## 5.4 Summary of Findings (System View)



### FUNCTIONALITY

- The CoM utilise the Civica HRMS module which provides limited functionality for end-to-end payroll. This directly affects the CoM's opportunity to improve in other system areas and processes.

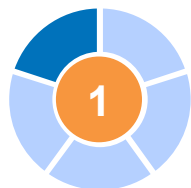


Assessment Rating



### REPORTING

- Due to limitations with Civica's reporting capability, a number of manual exporting and data manipulation activities are performed to create required reports.

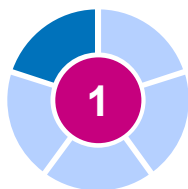


Assessment Rating



### AUTOMATION

- Due to Civica's limited functionality, there are few opportunities for automation in the payroll process.

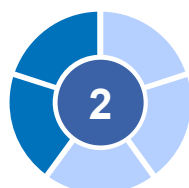


Assessment Rating



### GOVERNANCE & CONTROL

- The CoM's current payroll processes are based on a number of manual off-system processes. This results in reduced ability for technology enabled governance and control.

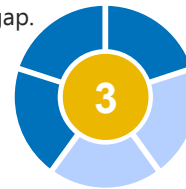


Assessment Rating



### INTEGRATION

- Civica's HRMS module is part of the Authority Enterprise solution which can provide an integrated solution (not currently integrated). However, there are still limitations with timesheeting, and SharePoint will still be required to fill this gap.



Assessment Rating



### BUSINESS PROCESS

- There is an opportunity to consolidate pay cycle processes, however, this will require further investment into new functionality. A short term opportunity could involve introducing refreshed processes for on-boarding new staff.



Assessment Rating

## Suggested Next Steps

As informed by this assessment and industry benchmarking, The City of Marion's Payroll system landscape is at a low maturity for performing the payroll function.

It is further noted that due to the lack of system functionality the ability to automate, integrate, report, implement governance & control, and improve business processes is limited, that the current system is also not meeting the current business needs of the organisation.

Going forward, there are a number of opportunities for different service delivery models and systems which the CoM can consider to modernise and transform its payroll function. These next steps are further outlined on page 43, and include the following options:

- Fully out-sourcing the payroll function to a third party
- Maintain in-house payroll function and identify a fit-for-purpose system that provides the desired/required system functionality.
- Creation of a shared service model, with a group of LGA organisations.



Table of Contents	Executive Summary	LEAN Workshop Results	Internal Audit Findings	ICT Assessment	Status of Previous Findings	Appendices
THEME		KEY OPPORTUNITIES FOR IMPROVEMENT			ASSESSMENT RATING	
FUNCTIONALITY	<ul style="list-style-type: none"><li>Civica’s HRMS module within Authority does not provide the end-to-end payroll functionality required by the City of Marion</li><li>Lack of functionality requires timesheets and leave applications to be entered via SharePoint.</li><li>On-boarding and termination of employees cannot currently be supported by a technology enabled workflow.</li><li>Currently, calculations for leave superannuation and termination payments are not reliable, and require additional manual workflows to review.</li></ul>				<div><div>1</div><div>05</div></div>	
AUTOMATION	<ul style="list-style-type: none"><li>Due to Civica’s limited functionality there are a number of tasks performed manually, potentially resulting in data integrity issues and business inefficiencies.</li><li>Given the current organisational structure and the assignment of roles and responsibilities, enabling automation may be challenging.</li><li>Lack of ESS functionality means staff cannot perform self-service (automating the leave process).</li><li>Outdoor staff time capture is manual, and requires manual data entry into Civica’s HRMS module within Authority.</li><li>The upload of the pay cycle bank file is not automated and requires manual input from Finance.</li></ul>				<div><div>1</div><div>05</div></div>	
INTEGRATION	<ul style="list-style-type: none"><li>Civica’s HRMS module is part of the Authority Enterprise Solution that provides integration with Finance for payroll posting to the GL.</li><li>There is a lack of integration with SharePoint, resulting in the manual data entry of timesheets to the Civica HRMS module.</li></ul>				<div><div>3</div><div>05</div></div>	
REPORTING	<ul style="list-style-type: none"><li>Civica’s HRMS module within Authority does not provide required payroll reporting functionality .</li><li>Reports are manually generated and modified within Excel and transformed into workable spreadsheets for leave accruals, superannuation, excessive leave reports, etc.</li></ul>				<div><div>1</div><div>05</div></div>	
GOVERNANCE & CONTROL	<ul style="list-style-type: none"><li>There is a lack of technology enabled workflows to provide a high level of governance and control.</li><li>Employee Masterfile integrity is not reliable due to inadequate data governance for users managing the NAR entries in Authority. The NAR is the single source of truth utilised by all Authority modules, and duplicative data reduces the ability for the CoM to maintain useful and accurate data.</li></ul>				<div><div>2</div><div>05</div></div>	
BUSINESS PROCESS	<ul style="list-style-type: none"><li>There are separate payroll processes performed for outdoor staff and indoor staff, which introduces inefficiencies and data integrity issues due to manual processing and data entry.</li><li>Business processes for creating new employee records are not clearly defined, causing a large amount of duplication of NAR entries.</li><li>The pay cycle bank file is created by Payroll and submitted by Finance manually. Using a system enabled processes could result in seamless creation, approval and submission of bank files.</li></ul>				<div><div>2</div><div>05</div></div>	

## 5.5 Service Delivery Options

The following summary outlines the top three service delivery options for the CoM to consider. Key considerations (right) are listed to highlight what should be assessed when deciding upon the service delivery model. Each option is detailed below, including a high level summary of the key considerations.



### Option 1 – Fully Outsourced Model

A third party managing the end-to-end payroll function on behalf of the CoM.

#### Considerations

- **Knowledge** – Knowledge is not maintained in-house, and reliance on third-party processes.
- **Alignment** – Generic payroll process, limited customisation and alignment to CoM payroll processes.
- **Cost** – Lower level of investment than a new implementation.
- **Control** – Lower level of control, close management with third party required.
- **Agility** – Processes constantly aligned with regulatory changes.
- **Risk** – Payroll checks and reporting aligned with best practice.



### Option 2 – In-House with System Upgrade

The payroll function continues to be maintained internally by the CoM with either a system upgrade or replacement.

#### Considerations

- **Knowledge** – Knowledge is maintained in-house, and the solution can be configured to the CoM's needs.
- **Alignment** – The service can align to the CoM's strategy and objectives.
- **Cost** – Higher level of investment requiring a program of work.
- **Control** – High level of control with internal staff managing.
- **Agility** – Requires continuous internal review for regulatory changes.
- **Risk** – Payroll function will require system training to ensure payroll processes are executed appropriately.



### Option 3 – Shared Service

A separate entity is created with a group of LGA organisations, or an existing government shared service is utilised to manage the payroll function.

#### Considerations

- **Knowledge** – Knowledge is not maintained in-house, reliance on shared service processes.
- **Alignment** – The service will be aligned to local government requirements, but not specific to the CoM's strategy and objectives.
- **Cost** – Lower level of investment unless creating a new entity.
- **Control** – Lower level of control, however, services will be aligned to local government practices.
- **Agility** – Processes constantly aligned with regulatory changes.
- **Risk** – Payroll checks and reporting aligned with best practice.

## Key Considerations

In determining the preferred service delivery model, the following should be considered:

- **Knowledge** – The extent to which the CoM would like to retain knowledge, and how well the service provider understands the CoM's payroll process.
- **Alignment** – The degree of service alignment relative to the CoM's strategy and objectives.
- **Costs** – The amount that the CoM is comfortable investing and spending on service maintenance and upgrades.
- **Control** – The level of control CoM has to ensure the payroll service is executed smoothly.
- **Agility** – The responsiveness of the function in aligning to and adapting to new regulatory changes.
- **Risk** – The risks associated with the chosen service delivery model.

# 6.0 Status of Previous Findings

## City of Marion

As part of the project scope, Internal Audit examined the implementation of recommendations from previous payroll internal audit reports (CCS – September 2017 Payroll Internal Audit Report and CoM – May 2016 Internal Audit Report). A high level summary of the status of each management action is detailed in the table below.

Report Reference and Finding	Responsibility	Recommendation	Agreed Management Action	Status
<p><b>F1</b></p> <p><b>New entries and adjustments made to the employee Master File are not being regularly reviewed.</b></p> <p>Employees will send Masterfile change requests to Payroll in writing which include:</p> <ul style="list-style-type: none"> <li>• Changes to bank details</li> <li>• Changes to superannuation details</li> <li>• Changes to contact details</li> </ul> <p>Payroll will also receive data in relation to changes to pay levels directly from HR on an annual basis. Information regarding employee terminations and new employee additions is also sent from HR as they occur. Upon receipt, the Payroll Officer manually creates or edits employee details within the Masterfile in Civica Authority. It was noted that there is no formal review of the Masterfile data inputs and adjustments and the system has the functionality to re-activate terminated employees.</p>	<p>Manager, Finance</p>	<ol style="list-style-type: none"> <li>1. It is recommended that a report is prepared on a monthly basis which details all Masterfile changes made. This report should be reviewed by the Financial Accountant with a sample of changes spot checked back to supporting documentation. Any variances should then be investigated in a timely manner. Particular focus should be placed on changes to bank and superannuation details, along with employees terminated.</li> <li>2. A detailed review should also take place at the time changes to pay levels are applied to ensure details have been captured accurately.</li> </ol>	<ol style="list-style-type: none"> <li>1. Change current deduction report that is checked each pay cycle to a more complete "change report" encompassing all changes to payroll Masterfile data to be reviewed monthly (note that this has been implemented in February). This will also highlight the addition of new employees. Currently, the "New Employee Checklist", SLT/ELT package changes, termination calculations, EA pay rate increases are all currently checked by someone independent of the initial calculations.</li> </ol>	<ol style="list-style-type: none"> <li>1. Completed. It is noted that Masterfile changes are reviewed regularly.</li> </ol>

## City of Marion

Report Reference and Finding	Responsibility	Recommendation	Agreed Management Action	Status
<p><b>F2</b></p> <p><b>Insufficient communication between Human Resources and Payroll Team.</b></p> <p>Internal Audit noted instances in which there was insufficient communication between HR and Payroll around the following key processes:</p> <ul style="list-style-type: none"> <li>Contractual negotiations</li> <li>New starters</li> <li>Employees returning to work after long term leave</li> <li>Terminations.</li> </ul>	Manager, Finance and Manager, HR	<p>1. It is recommended that HR incorporate a formal process into their current procedures which includes ensuring that Payroll is informed of any staff movements on a timely basis. This should be evidenced by a formal, dated sign off/written evidence e.g. email/letter to demonstrate that the communications occurred.</p>	<p>1. Payroll team to work with HR to formalise a process of notification.</p> <p>2. As part of the Lotus Notes Replacement Program, a centralised file storage system will replace two existing systems that are used and is expected to be set up so that there is only one location for storing employee files that both Payroll and HR have access to.</p>	<p>1. Completed. A formal process of notification is in place.</p> <p>2. It is noted that whilst a single system was established, there are still two separate file storage locations for HR and Payroll.</p>
<p><b>F3</b></p> <p><b>Lack of review and timeliness of reconciliation process.</b></p> <p>The City of Marion's Payroll team is required to conduct a total of 15 account reconciliations in relation to Payroll - 10 monthly, 1 Quarterly and 4 Annual reconciliations. After conducting testing over two reconciliation periods (June &amp; December) it was noted that a number of the reconciliations were being conducted as scheduled. It was also noted during testing that, with the exception of two, reconciliations were not prepared within two weeks of month end and that two of the June month end reconciliations had not been appropriately authorised by an independent reviewer (noting that the values of these two accounts were immaterial).</p>	Manager, Finance	<p>1. It is recommended that the Payroll team focus on ensuring all reconciliations are prepared and reviewed in a timely manner.</p>	<p>1. The reconciliation register and process is currently being reviewed and better processes put in place to ensure reconciliations are performed when required, and if not reasons are noted on the register (e.g. when zero balance or no movement since prior reconciliation).</p> <p>2. In regards to the timeliness issue, a number of the reconciliations relating to provisions are only performed annually as part of the year-end accounting process. Due to the requirement of payroll accruals being dependent on post-year end pay cycles being processed these reconciliations cannot be accurately performed within two weeks of month end and is not viewed as problematic.</p>	<p>1. Completed. Reconciliations are completed on a regular basis.</p> <p>2. It is noted that the timeliness of reconciliations can be improved (See CCS Finding 4)</p>

## City of Marion

Report Reference and Finding	Responsibility	Recommendation	Agreed Management Action	Status
<p><b>F4</b></p> <p><b>Increased monitoring of excessive and negative leave balances is required.</b></p> <p>Each month the Payroll Officer prepares an Excessive Leave Balance Report which outlines the total hours of annual leave, long service leave, in-lieu entitlement and sick leave hours for those employees outside of Policy (this includes excessive leave balances along with leave balances in negative). This report is then distributed via email to all People Managers. This is an important control as Civica currently allows leave over and above leave entitlements to be entered into the system without an exception being raised. As per the January, 2016 Excessive Leave Balance Report, there were 6 employees who were in excess of their annual leave balance (89 hours in total), 45 employees in excess of their in-lieu entitlement (861 hours) and 37 employees with a negative sick leave entitlement (1,567 hours in total). Additionally, approximately 25% of the workforce has greater then 4 weeks accumulated annual leave (which is outside of Policy). This suggests that a large portion of the workforce are not taking their leave in a timely manner which leads to an excessive leave liability to the City of Marion. In addition to this, it is noted that leave forms are not always being completed. Authorisation of the timesheet is considered to be authorisation of the leave. This is problematic when timesheets are submitted after the leave has already been taken.</p>	<p>Manager, Finance and Manager, HR</p>	<p>It is recommended that, due to the importance of this control, more rigor around review and escalation is placed around the Excessive Leave Balance Report. This should include:</p> <ol style="list-style-type: none"> <li>1. The report being distributed in a more user-friendly format i.e. broken down to Manager/Divisional level to be able to pinpoint issues more easily, along with summarized reporting highlighting the areas/employees who have exceeded their leave balance or have an excessive leave liability.</li> <li>2. Messaging from the Executive Team is conveyed around the importance of maintaining reasonable leave balances and also targeting those employees who have exceeded their leave balance.</li> <li>3. Escalation occurs within a Senior/Executive Leadership forum to ensure action is being taken e.g. included as an agenda item for the ELT for the foreseeable future.</li> </ol>	<ol style="list-style-type: none"> <li>1. New BIS view has been implemented that provides better filtering options and should allow managers to review only their staff with balances outside of the acceptable limits.</li> <li>2. Communication and education of managers indicating that negative leave balances will not be allowed.</li> <li>3. Excessive Leave has since become a discussion point at monthly SLT meetings and the CEO is sending out regular communications following the release of the monthly Excessive Leave report.</li> </ol>	<ol style="list-style-type: none"> <li>1. Completed. Managers are now able to filter leave balances for relevant staff.</li> <li>2. Completed. A process is now in place that prevents employees from taking paid leave if there is a negative leave balance.</li> <li>3. Completed. Communications are sent out by the ELT, rather than the CEO, for logistics purposes.</li> </ol>

## City of

Report Reference and Finding	Responsibility	Recommendation	Agreed Management Action	Status
<b>F5</b> <b>Limited security of Personnel Files.</b> <p>It was noted that hard copy Personnel Detail folders are created upon a new employee joining the organisation. Key sensitive personnel details stored within these folders include tax file numbers, bank details and medical records. These folders are stored within lockable cabinets on site within the Payroll Office. However upon inspection these cabinets are not locked.</p>	Manager, Finance	<ol style="list-style-type: none"> <li>It is recommended when Payroll Staff are absent from the Payroll Office that the cupboards be secured under lock and key. In addition the key should be stored in a secure location and only accessible to Payroll Staff.</li> </ol>	<ol style="list-style-type: none"> <li>Combination lock box has been obtained for key and fitted in payroll – Payroll and HR staff are aware of the combination.</li> <li>An option to further improve on this would be to replace open shelving with lockable storage or transfer across to electronic record keeping. This would require liaising with Records Management to ensure compliance with the relevant record keeping Act(s).</li> </ol>	<ol style="list-style-type: none"> <li>Completed. A combination lock has been installed.</li> <li>Completed. It is noted that there was a reduction from three shelves to one. Employee files are also being transferred to electronic storage.</li> </ol>
<b>F6</b> <b>Timeliness of manual timesheet collection and input.</b> <p>It was noted that the current timesheet collection and preparation process for Wages (Outside) staff is highly inefficient, requiring the Payroll and Sundry Debtors Officer (Payroll Officer) to visit the City Services site to collect the Wages staff timesheets each fortnight. Once received the timesheets are manually coded by the Payroll Officer into Civica. This process on average takes one day including the collecting and coding of timesheets.</p>	Manager, Finance and Manager, HR	<ol style="list-style-type: none"> <li>It is recommended that a notification is sent to all Wages employees reminding them of their responsibility to complete timesheets on a timely basis. Targeted communications should be sent to Managers/Supervisors of the depots reminding them of their accountability to review timesheets, to ensure accuracy and completeness. Trends around 'repeat offenders' could also be reviewed and monitored in order to send out more targeted communication to those that continue to not review and/or submit inaccurate timesheets.</li> </ol>	<ol style="list-style-type: none"> <li>Communication has been issued to Wages staff bringing the cut-off time for submission of timesheets and other forms forward from Monday to close of business on Friday.</li> <li>Further communication/training to take place outlining the responsibilities of being a member of the Leadership Team including the review and authorisation of timesheets, and following up staff who are not completing them in a timely or accurate fashion.</li> <li>Fortnightly meetings between the Payroll Officer and SLT to discuss issues with timesheets and other forms with a focus on recurring issues have also commenced.</li> </ol>	<ol style="list-style-type: none"> <li>Completed. Communication has been provided.</li> <li>Completed. Communication and training provided on an ongoing basis as necessary.</li> <li>Completed. Meetings have reduced as result of an improvement in timesheet and form issues.</li> </ol>



# Appendices

## 1. What is LEAN?

*LEAN is a customer oriented business improvement methodology which focuses efforts on getting the right things, to the right place, at the right time, in the right quantity whilst minimising waste and being flexible and able to change.*

### How we apply LEAN to a process walk-through

1

Define our customers and understand what they value



2

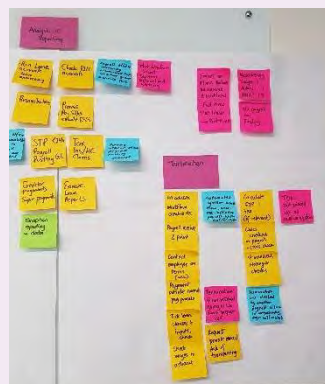
Map the current state value stream



3

Apply the LEAN definition of value, which considers customer perspective, to identify opportunities for improvement in current state processes.

Establishing Flow and Pull in a process is critical to the positive implementation of future state processes along with embedding a culture of continuous improvement to sustain the change.



### Payment Controls



Value Add  
Enabling  
Opportunity

Table of Contents	Executive Summary	LEAN Workshop Results	Internal Audit Findings	ICT Assessment	Status of Previous Findings	Appendices
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2. Definition of customers and what they value

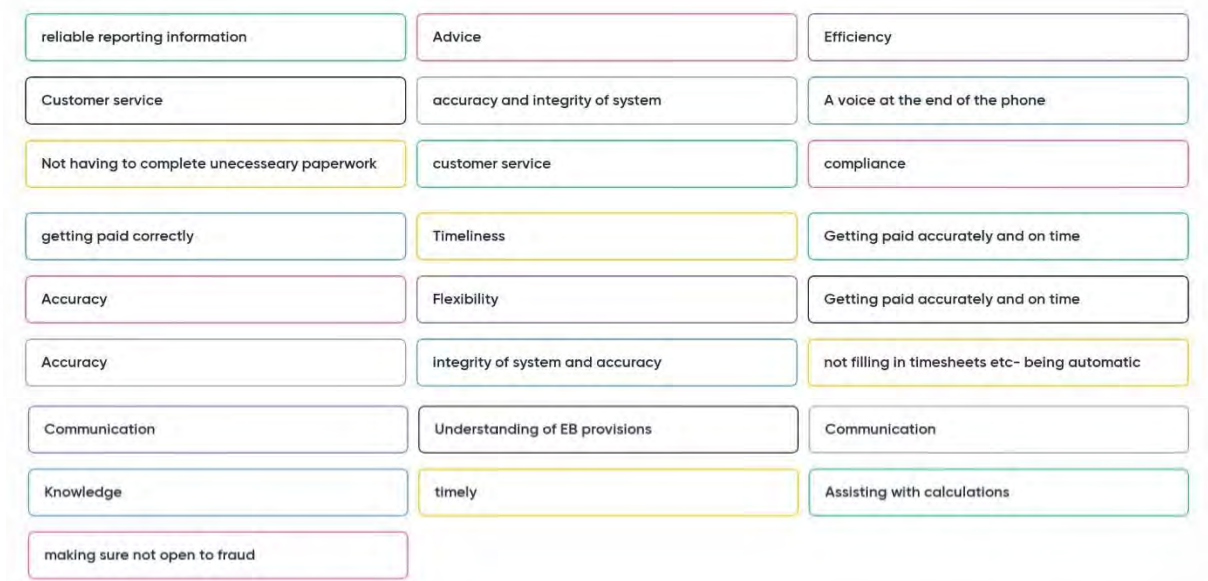
The first step in the LEAN process is to define the customers and what they value. Workshop participants from the CCS and the CoM were asked to brainstorm the customers of payroll processes at each Council (see **Figure 1** below). The size of the font indicates the number of participants that came up with the answer. For example, employees is the primary customer identified of payroll processes.

Based on the customers identified, workshop participants were then asked to brainstorm what these customers value the most from payroll. The results are presented in **Figure 2** below. The key themes include accuracy, timeliness and communication.

Figure 1: Who are our customers



Figure 2: What do our customers value



The tables below summarises the CCS and CoM personnel who were involved in discussions and contributed to the findings and actions detailed in this Internal Audit Report.

## City of Charles Sturt (CCS)

Name	Title
<b>People and Culture</b>	
Jacki Done	Manager People and Culture
Shayne Taylor	Payroll Administrator
<b>Finance</b>	
Annette Martin	Manager Financial Services
Allister Smith	Divisional Systems Accountant
Donna Stubbs	Divisional Accountant (AMS)
<b>Corporate Governance</b>	
Kerrie Jackson	Manager Governance and Operational Support
Alana Martin	Team Leader Governance and Business Support
Sanchit Rathee	Internal Controls Officer

## City of Marion (CoM)

Name	Title
<b>Payroll</b>	
David Harman	Unit Manager, Payroll
Claire In	Senior Payroll Officer
<b>HR</b>	
Rachel Read	Unit Manager, Human Resources
<b>Finance</b>	
Ray Barnwell	Manager Finance
<b>Corporate Governance</b>	
Kate McKenzie	Manager Corporate Governance
Karen Brewster	Business Analyst



The following framework for internal audit ratings has been developed and agreed with the CoM's Management for prioritising internal audit findings according to their relative significance depending on their impact to the process. The individual internal audit findings contained in reports will be discussed and rated with the CoM's Management.

Rating	Definition	Examples of Business Impact	Action(s) required
<b>Extreme/Critical</b>	Issue represents a control weakness, which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> <li>Detrimental impact on operations or functions.</li> <li>Sustained, serious loss in reputation.</li> <li>Going concern of the business becomes an issue.</li> <li>Decrease in the public's confidence in the Council.</li> <li>Serious decline in service/product delivery, value and/or quality recognised by stakeholders.</li> <li>Contractual non-compliance or breach of legislation or regulation with litigation or prosecution and/or penalty.</li> <li>Life threatening.</li> </ul>	<ul style="list-style-type: none"> <li>Requires immediate notification to the Council Finance and Audit Committee via the Presiding Member</li> <li>Requires immediate notification to the CoM's Chief Executive Officer.</li> <li>Requires immediate action planning/remediation actions</li> </ul>
<b>High</b>	Issue represents a control weakness, which could have or is having major adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> <li>Major impact on operations or functions.</li> <li>Serious diminution in reputation.</li> <li>Probable decrease in the public's confidence in the Council.</li> <li>Major decline in service/product delivery, value and/or quality recognised by stakeholders</li> <li>Contractual non-compliance or breach of legislation or regulation with probable litigation or prosecution and/or penalty.</li> <li>Extensive injuries.</li> </ul>	<ul style="list-style-type: none"> <li>Requires immediate CoM's General Manager notification.</li> <li>Requires prompt management action planning/remediation actions (i.e. 30 days)</li> </ul>

Rating	Definition	Examples of Business Impact	Action(s) required
<b>Moderate</b>	Issue represents a control weakness, which could have or is having a moderate adverse effect on the ability to achieve process objectives	<ul style="list-style-type: none"> <li>Moderate impact on operations or functions.</li> <li>Reputation will be affected in the short-term.</li> <li>Possible decrease in the public's confidence in the Council.</li> <li>Moderate decline in service/product delivery, value and/or quality recognised by stakeholders.</li> <li>Contractual non-compliance or breach of legislation or regulation with threat of litigation or prosecution and/or penalty.</li> <li>Medical treatment required.</li> </ul>	<ul style="list-style-type: none"> <li>Requires CoM's General Manager and/or Senior Manager attention.</li> <li>Requires short-term management action.</li> </ul>
<b>Low</b>	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.	<ul style="list-style-type: none"> <li>Minor impact on internal business only.</li> <li>Minor potential impact on reputation.</li> <li>Should not decrease the public's confidence in the Council.</li> <li>Minimal decline in service/product delivery, value and/or quality recognised by stakeholders.</li> <li>Contractual non-compliance or breach of legislation or regulation with unlikely litigation or prosecution and/or penalty.</li> <li>First aid treatment.</li> </ul>	<ul style="list-style-type: none"> <li>Timeframe for action is subject to competing priorities and cost/benefit (i.e. 90 days).</li> </ul>

# Disclaimers

## Inherent Limitations

This report has been prepared as outlined in the Executive Summary of this report. The services provided in connection with the engagement comprise an advisory engagement which is not subject to Australian Auditing Standards or Australian Standards on Review or Assurance Engagements, and consequently no opinions or conclusions intended to convey assurance will be expressed. Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to the procedures we performed operate, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. The procedures performed were not designed to detect all weaknesses in control procedures as they are not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, the CCS' and the CoM's management and personnel. We have not sought to independently verify those sources unless otherwise noted within the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with the CCS and the CoM. The internal audit findings expressed in this report have been formed on the above basis.

## Third Party Reliance

This report is solely for the purpose set out in the Executive Summary of this report and for the CCS' and the CoM's information, and is not to be used for any other purpose or distributed to any other party without KPMG's prior written consent. This internal audit report has been prepared at the request of the CCS and the CoM Finance and Audit Committee or its delegate in connection with our engagement to perform internal audit services as detailed in contract "Provision of Internal Audit Services – Cities of Charles Sturt and Marion", executed 10 July 2019. Other than our responsibility to the CCS and the CoM, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to the CCS' and the CoM's external auditor, on this internal audit report. Any reliance placed is that party's sole responsibility.

## Electronic Distribution of Report

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## REPORTS FOR NOTING

### Corporate Risk Quarterly Report

<b>Originating Officer</b>	Risk Coordinator - Karen Peake
<b>Corporate Manager</b>	Manager Corporate Governance - Kate McKenzie
<b>General Manager</b>	General Manager Corporate Services - Sorana Dinmore
<b>Report Reference</b>	FAC200225R08

### REPORT OBJECTIVE

The objective of this report is to provide the Finance and Audit Committee (FAC) with the results of the organisation's quarterly review of the Corporate Risk Register for Quarter 2 - period ending 31 December 2019.

### EXECUTIVE SUMMARY

During quarter ending 31 December 2019, the Corporate Risk Register listed 109 risks, with current risk ratings as follows: 8 high, 79 medium and 22 low. The summary quarterly outcomes for the last 12 months illustrates recent movement in our risk exposure (**Appendix 1/Table 1**).

At present, the Corporate Risk Register totals 8 corporate risks, rated as high, which are detailed in an extract (**Appendix 2**) and relate to: asset management, WHS management, environmental management, governance risks, business continuity & community and ICT infrastructure/ cyber security.

These risks are managed on a day to day basis across the organisation at Senior Leadership level as the Risk Owners, with the Executive Leadership Team undertaking a review each quarter, in line with the Risk Management Team monitoring and reporting to the Risk Working Group (RWG).

### RECOMMENDATION

**That the Finance and Audit Committee:**

- 1. Provide feedback on the risks outlined in the Corporate Risk Register**
- 2. Notes the issues raised for discussion**

### DISCUSSION

At its meeting on 10 December 2019, the FAC requested that Risk Reporting be undertaken quarterly (FAC191210R04).

### QUARTERLY OUTCOMES

During the quarter, none of the 8 high rated risks were re-rated, however two medium rated risks were re-rated to low after a review of existing current controls.

Progress on the completion of 'further actions' identified within the Corporate Risk Register has been actively monitored during Quarter 2, with a breakdown of 'further actions' assigned to risks, currently rated as HIGH and MEDIUM/LOW for each corporate division (**Appendix 1/Table 2**).

The one overdue action within the currently HIGH rated risks is detailed against CON03 and is in relation to contract/contractor management. This service area has recently been the focus of a review with key further actions being incorporated into the LGRS WHS And Risk Action Plan 2020.

Further detail of overdue actions has been provided to each ELT member in order to provide a focus on these work areas, with issues for non-completion being identified. Completion of all Quarter 2 actions will be required prior to the end of February, with any significant risk issues identified being escalated to ELT and the Risk Unit for resolution and the Corporate Risk Register being updated accordingly.

### **ESCALATING, ONGOING & EMERGING RISK ISSUES**

Organisational innovation and growth cannot occur without presenting new exposure to risk, therefore some degree of risk is not only healthy for organisations but is essential. In line with the purpose outlined in the RWG Terms of Reference 'to ensure early, quick and clear escalation of items of strategic or high operational risk to key decision makers' the following new, escalating & emerging risks discussed at the 4th February 2020 RWG meeting.

#### **Escalate Risks - current risks re-rated to HIGH**

Noted that no risks were escalated to HIGH/EXTREME during the second quarter 2019/20

#### **Ongoing Risks & Opportunity Issues**

- Review of Council boundaries
- Reputation/Council decision making
- Delivery on Business Plan
- Government Funding
- Planning Reforms
- Local Government Reforms/Productivity Commission
- Waste Management
- Contract Management
- Workplace Culture

#### **Emerging Risks & Opportunity Issues:**

- Human Epidemic
- Bushfire Impacts
- Cyber Security
- Local Economy

### **NEXT STEPS**

With regard to the completion rate for 'further actions' (**Appendix 1/Table 2**), the summary data shows 26.8% of outstanding actions are overdue. Focused effort will occur on closing the overdue actions up to and including those due by the end of Q3. Completion rates for Q3 will be presented to the next RWG (and subsequently to FAC) to monitor progress made.

With regard to the escalating, ongoing and emerging risk issues, waste management and related contract management issues were recognised as a HIGH risk over the coming months. A risk review will be scheduled to assess all associated issues, to identify further risk mitigating actions and investigate any related threats and/or opportunities.

In relation to the recent threat from Coronavirus, a staff communication will be sent, outlining advice for preventing the spread of infectious disease.

The remaining risk issues and opportunities will be monitored on an ongoing basis.

### **CONCLUSION**

This quarterly Risk Review process, including updates to the Corporate Risk Register, provides an assurance to the organisation and its stakeholders of a more integrated approach, within a maturing corporate risk management process.

### **Attachment**

#	Attachment	Type
1	Appendix 1 Corporate Risk Quarterly Report	PDF File
2	Appendix 2 Corporate Risk Report High Risk Dec 2019	PDF File

## APPENDIX 1

Table 1: Corporate Risk Register Review Quarterly Outcomes

Period:	Qtr 3: Jan to Mar 2019			Qtr 4: Apr to Jun 2019			Qtr 1: Jul to Sept 2019			Qtr 2: Oct to Dec 2019			Current Risk Impact	Risk Tolerance
Corporate Risk	I	C	F	I	C	F	I	C	F	I	C	F		
Extreme	17	0	0	20	0	0	20	0	0	20	0	0	↔	
High	74	9	0	74	9	0	71	8	0	71	8	0	↔	
Medium	16	79	64	17	84	68	18	81	67	18	79	65	↓	
Low	0	19	43	0	18	43	0	20	42	0	22	44	↑	
Total	107	107	107	111	111	111	109	109	109	109	109	109		
Current High Risk %	8%			8%			7%			7%				

\* Key: I = Inherent, C = Current, F = Forecast

Table 2: Tracking Summary of Corporate Risk Register 'Further Actions'

RISK RATING	to 31/12/19	to 31/03/20	to 30/06/20	to 30/09/20	to 31/12/20	to 31/03/21	to 30/06/21	Total:
HIGH	Q2	Q3	Q4	Q1	Q2	Q3	Q4	as at 23/01/20
CEO	0	0	0	0	0	0	0	0
City Services	0	0	0	0	0	0	0	0
City Development	0	1	8	0	3	0	3	15
Corporate Services	1	5	5	0	1	0	0	12
MEDIUM/LOW	Q2	Q3	Q4	Q1	Q2	Q3	Q4	as at 23/01/20
CEO	0	4	10	0	2	0	0	16
City Services	15	1	10	0	0	0	0	26
City Development	22	9	15	0	3	0	3	52
Corporate Services	2	9	16	0	1	0	0	28
Totals	40	29	64	0	10	0	6	149
Percentages	26.8%	19.5%	43.0%	0.0%	6.7%	0.0%	4.0%	100.0%

## Corporate Risk Register - extract showing current HIGH risks (Dec 2019)

ELT Risk Owner (ELT)	SLT Risk Owner (SLT)	Strategic Link	Ref	Risk Description	Risk Causes /Sources	Potential Consequences	INHERENT Level of Risk			Current Controls in Place	CURRENT Level of Risk			Further Action	Further Action Due Date	Action Owner	FORECAST Level of Risk		
							Likeli-hood	Conse-quence	Risk Rating		Likeli-hood	Conse-quence	Risk Rating				Likeli-hood	Conse-quence	Risk Rating
City Development	Innovation & Strategy	Liveable	ASY02	<b>Property &amp; Infrastructure</b> Failure to appropriately manage assets and associated funding, including planning, acquisition, renewal, maintenance, management and disposal.	<ul style="list-style-type: none"><li>- Lack of lifecycle and whole of life controls utilised in corporate decision making.</li><li>- Poor asset related data</li><li>- Ineffective asset management systems</li><li>- Ineffective asset management planning</li><li>- Lack of clarity regarding service standards/levels</li><li>- Change in strategic priorities</li><li>- Increased workload/ inadequate staffing/specialised skills</li><li>- Inadequate funds allocated for asset management</li><li>- Increased quality expectations from the community, Australian standards and legislation</li><li>- Climate change</li></ul>	<ol style="list-style-type: none"><li>1.Death or critical injury (contractor mgt)</li><li>2.Reputational damage</li><li>3.Asset deterioration/ failure</li><li>4.Financial burden - short &amp; long term</li><li>5.Poor staff morale</li><li>6.Non compliance with legislation, regulations and industry standards</li><li>7.Dissatisfied community</li><li>8.Service level cuts</li></ol>	Likely	Severe	EXTREME	<ol style="list-style-type: none"><li>1. Strategic Plan</li><li>2. Asset Management Plans (x5)</li><li>3. Long Term Financial Plan (LTFP)</li><li>4. Annual Budget Planning process</li><li>5. Valuation program</li><li>6. Asset Management Governance (Asset Steering Committee)</li><li>7. Annual Asset Management Maturity Assessments</li><li>8. Asset Inspection &amp; Audit Program</li><li>9. Asset Management Policies/Processes/Processes</li><li>10. Asset induction &amp; training program</li><li>11. Community Satisfaction Survey</li><li>12. Professional memberships</li><li>13. Annual Audit of Financial Statements</li><li>14. Annual Internal Control Audit</li><li>15. Monitoring of Complaints via CES</li><li>16. Asset Management Strategy</li></ol>	Unlikely	Severe	HIGH	<ol style="list-style-type: none"><li>1. Update Asset Management Plans (x 9) - will incorporate reference to Climate Change Adaptation &amp; SMART Cities</li><li>2. Review asset condition inspection regime</li><li>3. Finalise 'single point of truth' for all asset data</li><li>4. Finalise review and setting of asset service levels</li><li>5. Development of the City Property Strategic Asset Management Plan</li><li>6. Undertake activity level process mapping</li><li>7. Develop &amp; implement ICT Asset Management Information System (AMIS)</li><li>8. Implement Asset Mgt Improvement Program (AMIP 2.0)</li><li>9. Implement a Key Performance Indicator (KPI) program</li></ol>	<div>1.31/12/20</div> <div>2.30/06/20</div> <div>3.31/03/20</div> <div>4.31/12/20</div> <div>5.30/06/20</div> <div>6.30/06/20</div> <div>7.30/06/21</div> <div>8.30/06/21</div> <div>9. 30/06/21</div>	<div>1.UM AS</div> <div>2.UM AS</div> <div>3.UM AS</div> <div>4.UM AS</div> <div>5.Mgr CP</div> <div>6.UM AS</div> <div>7.Mgr ICT</div> <div>8.UM AS</div> <div>9.UM AS</div>	Rare	Severe	MEDIUM
Corporate Services	Finance & Contracts	Council of Excellence	CON03	<b>WHS Management</b> Failure to manage contractors appropriately to ensure that contractual obligations are met	<ul style="list-style-type: none"><li>- Inadequate awareness for the procurement and contracting process</li><li>- Inconsistent approach for the procure-to-pay process</li><li>- Lack of knowledge regarding corporate requirements for contract management</li><li>- Lack of training regarding contractor management</li></ul>	<ol style="list-style-type: none"><li>1.Death or critical injury to Workers, Contractors or member of Public</li><li>2. Weak internal controls and process assurance</li><li>3.Ineffective financial monitoring of contracts/budgets</li><li>4.Inappropriate contractor management</li><li>5.Inability to engage quality contractors</li><li>6.Non-performance of contractors</li><li>7.Ineffective use of staff resources</li><li>8.Lack of integrity in the process, frequent 'work arounds'</li><li>9.Disruption to works impacting CoM &amp; team</li><li>10.Disruption to works impacting local community</li><li>11.CoM exposure to liability</li><li>12.Reputation damaged through adverse media coverage</li></ol>	Likely	Severe	EXTREME	<ol style="list-style-type: none"><li>1.Procurement and Contractor Management policy &amp; procedures (reviewed 2016)</li><li>2.Staff training provided in procurement &amp; contractor management</li><li>3.Business Partnering approach</li><li>4.Internal customer satisfaction surveys (every project)</li><li>5.Annual procurement planning (aligned to projects etc)</li><li>6.Contracting centralised through the Contracts Team</li><li>7.Existing Procurement and Contractor Management Policies and Procedures (including tender evaluation, contractor induction, site inspections);Tender Board process for contracts greater than \$200,000</li><li>8.Recruitment of appropriately skilled staff within Contracts Team</li><li>9. Sharepoint used to manage records</li><li>10. Staff trained in Contract Management Oct/Nov 2016</li><li>11. Review of Contract Management activities by Internal Audit has been undertaken and considered by F&amp;AC</li><li>12. Contractor Audit program outlined in HSE Plan</li><li>13. Pilot contractor surveillance &amp; monitoring to SkyTrust</li></ol>	Unlikely	Severe	HIGH	<ol style="list-style-type: none"><li>1.Contract Management Internal Audit recommendations</li><li>2.WHS KPI Action Plan 2020</li></ol>	<div>1.30/06/19</div> <div>2.31/10/20</div>	<div>1. Strat. Proc.Lead</div> <div>2. UM Risk</div>	Rare	Severe	MEDIUM
City Development	Innovation & Strategy	Valuing Nature	ESU03	<b>Environmental Management /Climate</b> Failure to understand, plan and act to respond to the projected impacts of climate change.	<ul style="list-style-type: none"><li>- Lack of climate change awareness / understanding</li><li>- Lack of recognition for climate risk mapping in urban planning (PDI Act)</li><li>- Planning application approvals in unsuitable areas</li><li>- Poor decision making</li><li>- Poor project management</li><li>- Inadequate communication</li><li>- Poor inter-departmental working</li></ul>	<ol style="list-style-type: none"><li>1.Catastrophic damage during extreme weather (e.g. flooding)</li><li>2.Cost of remedial works</li><li>3.Cost of mitigation works</li><li>4. Dissatisfied community</li><li>5. Damage to coastal zone from storm surge</li><li>6. Reduced rates revenue as property values go down</li><li>7. Increased difficulty in obtaining insurance cover</li><li>8. Increased difficulty in obtaining loans if financial institutions require evidence of responses to climate change impacts</li><li>9. Infrastructure damage</li></ol>	Likely	Severe	EXTREME	<ol style="list-style-type: none"><li>1. Valuing Nature CoM Community Vision</li><li>2. CoM Climate Change Policy</li><li>3. Resilient South regional Climate Change Adaptation Plan</li><li>4. Resilient South Local Government Regional Implementation plan</li><li>5. CoM Climate Risk &amp; Governance gap analysis</li><li>6. Coastal Climate Change Adaptation Plan being developed including baseline monitoring to detect early changes to risk.</li><li>7. Professionally qualified staff</li><li>8. Education via events, networking, workshops etc.</li><li>9. Building community resilience through partnership &amp; education</li><li>10.Evaluation of the Regional Implementation Plan undertaken with program partners</li></ol>	Possible	Severe	HIGH	<ol style="list-style-type: none"><li>1. Update Review-of-climate change projections/observations &amp; use of pathways approaches in adaptation planning as part of the Resilient South Regional Implementation Plan review.</li><li>2. Develop &amp; implement a Climate Risk Governance program</li><li>3. Implement findings of Coastal Climate Adaption Plan</li><li>4. Elected Member engagement &amp; education</li><li>5.-Build organisational skills/capacity in responding to climate change ipacts through appropriate training (eg: UMAS &amp; ME&amp;FS on IPWEA training Feb2020 )</li><li>6. Provide training &amp; capability building opportunities with identified staff</li></ol>	<div>1.34/12/19</div> <div>30/06/20</div> <div>2.30/06/20</div> <div>3.30/06/20</div> <div>4.30/06/20</div> <div>5.34/12/19</div> <div>30/06/20</div> <div>6.31/12/20</div>	<div>1.UM ES</div> <div>2.UM ES</div> <div>3.UM ES</div> <div>4.UM ES</div> <div>5.UM ES</div> <div>6.UM ES</div>	Rare	Severe	MEDIUM
Corporate Services	Corporate Governance	Council of Excellence	GOV02	<b>Governance Risk</b> Break down of Council Administration and Elected Members working relationship, impacting on sound and effective decision making process for the delivery of aligned and strategic business outcomes.	<ul style="list-style-type: none"><li>- Poor strategic level decision making</li><li>- Administration managing requests from Council without due consideration and adequate time</li><li>- Council and Administration failing to communicate with each other, resulting in unfunded, unplanned initiatives gaining Council endorsement</li><li>- New initiatives going straight to Council without following procedures through due diligence (eg Asset Management, Finance, Governance, Risk, Environmental Sustainability, Contracts, Strategic Management etc).</li><li>- Some Councillors have differing perspectives of their role on Council, decisions being made that are Ward based, rather than whole of - Council perspective</li><li>- State Government Elections- Local Government Elections</li></ul>	<ol style="list-style-type: none"><li>1. Unsustainable initiatives</li><li>2. Strategic plan misalignment</li><li>3. Process Errors</li><li>4. Lack of funding and negative financial implications</li><li>5. Lack of or misuse of resources</li><li>6. impact on the delivery of other project/initiatives</li><li>7. Staff stress</li><li>8. Low staff morale</li></ol>	Likely	Major	HIGH	<ol style="list-style-type: none"><li>1. Process of unfunded initiatives</li><li>2. Staff provide frank and fearless advice</li><li>3. Annual workshop for Council &amp; Finance &amp; Audit Committee</li><li>4. Council Meeting Procedures training during induction</li><li>5. Committee's bi-annual self evaluation effectiveness survey</li><li>6.GM's induction on governance processes</li><li>7. CEO and Mayor relationship</li><li>8. Due diligence and prudential report to Council.</li><li>9. Elected Member Code of Conduct (Mandatory) and Elected Member Code of Code Procedure for Investigating Complaints</li><li>10. Caretaker Policy reviewed and adopted by Council</li><li>11. Caretaker training delivered to EM's and Staff</li><li>12. Elected Member Planning Day (19/01/19)</li><li>13. CEO/Mayor weekly meetings</li><li>14. Manager CG &amp; Mayor fortnightly meetings</li><li>15. Good Governance training Program implemented (inc.'How to Work Effectively with Elected Members').</li><li>16. Post Election (Nov18) Policy review completed</li></ol>	Likely	Moderate	HIGH	<ol style="list-style-type: none"><li>1. Consider SLT joint forum /effectiveness survey</li></ol>	<div>30/06/2020</div>	<div>1.MCG</div>	Unlikely	Moderate	MEDIUM
Corporate Services	Corporate Governance	Council of Excellence	GOV06	<b>WHS Management</b> Failure of COMs officers to discharge Due Diligence obligations under the WHS Act	<ul style="list-style-type: none"><li>- Failure to advise and train staff of WHS obligations</li><li>- Officers' having low levels of WHS knowledge &amp; awareness</li><li>- Ineffective training</li><li>- Inadequate WHS Management System</li></ul>	<ol style="list-style-type: none"><li>1. Criminal Charges</li><li>2. Incarceration</li><li>3. Financial Penalty</li><li>4. Reputation Risk</li></ol>	Likely	Severe	EXTREME	<ol style="list-style-type: none"><li>1.Skilled and experienced WHS Staff</li><li>2.TSLW WHS Management system (SkyTrust)</li><li>3.Specialist WHS Coordinator</li><li>4.Due diligence training</li><li>5.Ongoing consultation, training and advice to staff across CoM</li><li>6.ELT Support and briefings on emerging risk issues</li><li>7.WHS induction new staff</li><li>8.Monthly reporting to Council, ELT and SLT regarding hazard and incident management</li><li>9.Annual WHS KPI Action Plans</li><li>10.Internal WHS Audits undertaken</li><li>11.Implementation of Work Area Inspections</li><li>12.WHS training with Elected Members</li><li>13.SWMs, SOPs &amp; related policies &amp; procedures</li></ol>	Unlikely	Severe	HIGH	<ol style="list-style-type: none"><li>1.WHS KPI Action Plan 2020</li></ol>	<div>1.31/10/20</div>	<div>1.UM Risk</div>	Rare	Major	MEDIUM

## Corporate Risk Register - extract showing current HIGH risks (Dec 2019)

ELT Risk Owner (ELT)	SLT Risk Owner (SLT)	Strategic Link	Ref	Risk Description	Risk Causes /Sources	Potential Consequences	INHERENT Level of Risk			Current Controls in Place	CURRENT Level of Risk			Further Action	Further Action Due Date	Action Owner	FORECAST Level of Risk		
							Likeli-hood	Conse-quence	Risk Rating		Likeli-hood	Conse-quence	Risk Rating				Likeli-hood	Conse-quence	Risk Rating
Corporate Services	Corporate Governance	Council of Excellence	GOV10	<b>Business Continuity &amp; Community Safety</b> Failure in Council's ability to prevent, prepare, respond to and promote resilience in the community in the event of an emergency ie earthquake, flood, extreme heat, bushfire and terrorism	- Absent, outdated or inadequate Community Emergency Plan, - Failure to undertake risk assessment and undertake mitigation activities for known hazards	1. Death or critical injury to Workers, Contractors or member of Public 2. Disruption to works impacting CoM & team 3. Disruption to works impacting local community 4. CoM exposure to liability 5. Officers' exposure to criminal litigation 6. Reputation damaged through adverse media coverage	Possible	Severe	HIGH	1. Flood prevention activities 2. Fire prevention activities 3. Planning/Building Fire Committee 4. Community education / development 5. Community Emergency Management Plan 6. Workplace Emergency Management Plans 7. Business Continuity Plan & regular exercises for increased understanding of roles & responsibilities (every 6-12 months) 8. Training Needs Analysis and conduct of required training 9. Response personnel 10.Events Mgt (CSC) - implementation of Crowded Place Risk Assessment and Notification Processes issued by SAPOL 11.Monitoring and management of Emergency Management work program actions (via EPC/BCWG/ZEMC) 12.Generator installed and commissioned to provide ICT backup/select power for IMT/EOC activities at Admin Building 13.ZEMC Recovery Exercise - increased understanding of Council's roles & responsibilities (Exercise RUMBLE 4/9/18) 14.Key staff trained in iResponda and Swift Water rescue (as per TNA)	Unlikely	Severe	HIGH	1.Finalise/distribute Corporate Emergency Management Risk Assessment 2.LGFSG training of officers 3.Drafting LGA Council Ready Action Plan 4.Conduct formal induction/iResponda refresher session with IMT Ops 5.Upload iResponda documents to CoMBI	1.31/10/19 31/01/20 2.30/09/19 31/01/20 3.31/12/19 31/01/20 4.31/1/20 5.31/1/20	1.UM Risk 2.UM Risk 3.UM Risk 4. Risk Ctr 5. Risk Ctr	Rare	Severe	MEDIUM
Corporate Services	ICT	Council of Excellence	ICT02	<b>ICT Infrastructure/ Cybersecurity</b> Poor data quality and governance not supporting informed decision making	- Strategic awareness/oversight of corporate data and processes unknown - Lack of standardised Data Quality Assurance processes in place - Lack of awareness that there is a Data Governance Framework - Lack of organisational resource and capacity to oversee the Data Governance Framework and embed the principles - Poor capture of data due to inconsistent processes - Lack of specialised skills across work units to capture quality data - Reluctance to use Corporate System databases versus personal spreadsheets due to systems not supporting business needs - Inadequate funds allocated in internal budgets for system improvements and ICT computer skills development for staff - Lack of ICT training for staff (no corporate ICT Trainer role) - Lack of mobility tools for outdoor staff - Ineffective use of end user reporting and query tools	1.Non compliance with related regulations/ legislation 2.Poor decision making 3.Failure to deliver identified business outcomes 4.Failure to address business issues. 5.Inability to provide innovation and improve efficiencies 6. Lack of data integrity 7. Failure to measure data value	Likely	Severe	EXTREME	1. ICT Steering Committee meets quarterly to discuss major initiatives and priorities 2. ICT working in line with the Strategic Management Framework, ICT Strategic Themes and Work Area Plan 3. Core application systems user groups in place with ICT business unit account manager roles (engagement partners / project co-ordinators) 4. Vendor management Reviews of required software enhancements and faults 5.Clarified roles and responsibilities of software ownership (org wide versus departmental) 6.Regularly reviewed policies, procedures & processes 7.ICT Digital Transformation Plan 2017-2022 and ICT Roadmap embedded into annual business plan and budget process, and updates provided to Council ISC committee 8.Business Systems "Fitness" Review completed & distributed to senior management with findings Dec 2018. 9. Development of the Information Technology Application Strategy 2019 10.Business intelligence /data analytics reporting toolset (Microsoft PowerBI) deployed. 11.Information Technology Application Strategy (ITAS) plan implemented.	Possible	Severe	HIGH	1. Implementation of the ICT Service Review recommendations 2. Embed the Data Governance Framework across the organisation 3. Seek endorsement of Data Governance/Database Administrator to implement and oversee the Data Governance Framework	1.30/06/20 2.30/06/20 3.30/06/20	1.Mgr ICT 2.Mgr ICT 3.Mgr ICT	Unlikely	Major	MEDIUM
Corporate Services	ICT	Council of Excellence	ICT04	<b>ICT Infrastructure/ Cybersecurity</b> Failure to deliver key corporate initiatives	- Lack of consistent organisation wide project management framework - Lack of appropriate business and ICT resource for project delivery - Too many projects - Strategic Plan and Annual Business Plan projects don't consider ICT resource implications - Business as usual work commitments under estimated resource-wise - System failure and data breaches - Lack of detailed project planning including project brief/scope, budget, resourcing, risks and quality assurance	1.Reputational risk of not delivery and utilising council funds effectively 2.Legislative requirements not being able to be met 3.Productivity loss due to system failures 4.Service Delivery impacts may lead to industrial action	Likely	Major	HIGH	1.Project Management Leader recruited 2.Use of ICT project management methodology and templates 3. Full scoping of project to create accurate/relevant project initiation document (PID) 4. Clearly identified roles & responsibilities within project team 5. Regular team/partnership meetings 6. Regular monitoring and review 7.Regularly reviewed ICT policies, procedures & processes 8.Regular project status reporting, monitoring and reviews (ELT Project Control Group and Project Steering Committees) 9.Part of the annual business planning process, ensure Work Area Plans are resourced and achievable 10.CoM Project Management Office (PMO) framework completed 11. Cyber Security Awareness Program in place 12. Corporate Cyber Security Audit and CQR Program in place	Possible	Major	HIGH	1.Implement the ICT Service Review outcomes	1.30/06/20	1.Mgr ICT	Rare	Major	MEDIUM

## Service Review Program and Recommendations - Progress Update

<b>Originating Officer</b>	Performance & Innovation Leader - Cass Gannon
<b>Corporate Manager</b>	Manager Innovation and Strategy - Fiona Harvey
<b>General Manager</b>	General Manager City Development - Ilia Houridis
<b>Report Reference</b>	FAC200225R09

### REPORT OBJECTIVE

To provide the Finance and Audit Committee (FAC) with a progress update on:

- The overall status of the Service Review Program for FY2019/20
- The implementation of the Service Review Program recommendations as at 3 February 2020

### Executive Summary

At the 25 June 2019 meeting of General Council, Council adopted the Service Review Program for FY2019/20.

The Service Review program is progressing as planned, with the review of nine services (a combination of City of Marion and cross council reviews) to be undertaken. Tracking of the progress of all reviews can be viewed in Table 1.

The first stage of the cross council service review methodology involves conducting a desktop analysis. The review is subsequently based on the outcomes of the desktop analysis. Due to this approach the specific number of service reviews delivered in FY2019/20 may vary from the nine proposed.

**Table 1: Service Review Program FY2019/20 - Progress Update**

Service Review Title	No. of Services	Current Status	Comments
<b>City of Marion Service Reviews</b>			
Neighbourhood/Community Centres	1	In Progress	Service review in progress – final report expected to be presented to the Finance and Audit Committee in May 2020
<b>Cross Council Service Reviews</b>			
Capital Construction and Maintenance	5	Commenced	Scope presented (FAC190820). Desktop review underway, expected to be finalised March 2020
Open Space Recreation and Planning	1	Not commenced	Desktop review expected to commence in March 2020
Utilities Management (previously referred to as Water and Electricity Bill Validation)	1	Complete	Final report presented (FAC191210). Implementation underway
Fleet Maintenance	1	Not commenced	Analysis complete. Service Review document and approvals to be done. Expected to be finalised in March 2020
<b>Total</b>	<b>9</b>		



Since the last report to the Finance and Audit Committee, (FAC191210) and as of 3 February 2020, the implementation of recommendations from service reviews has progressed and highlights since the last report include:

- The cross council project to implement a new helpdesk system for the Cities of Charles Sturt and Port Adelaide Enfield has been formalised and will leverage the work that Marion has done to date.
- The decision to manage the Utilities Optimisation function (employed by the City of Marion) from within the Shared Procurement team has been made and approved across the three Councils (Cities of Marion, Charles Sturt and Port Adelaide Enfield). Recruitment has commenced for both roles (Lead and Analyst).
- A progress report was presented to Council in January 2020 noting that a preferred model for the management of Warriparinga had yet to be reached. Council resolved to request that Kurna Yerta Aboriginal Corporation provide Council with a proposal for their preferred model by end of May 2020. If no proposal is received, Council will commence a public Expression of Interest (EOI) process.
- The Records Team have been working on Office 365 and Digital Literacy initiatives.

More detail on the progress of the implementation of recommendations from the Service Review Programs are outlined in Appendix 1.

## RECOMMENDATION

**That the Finance and Audit Committee:**

1. **Notes the overall status of the Service Review Program for FY2019/20 (Table 1)**
2. **Notes the implementation progress of the Service Review Program recommendations (Appendix 1)**

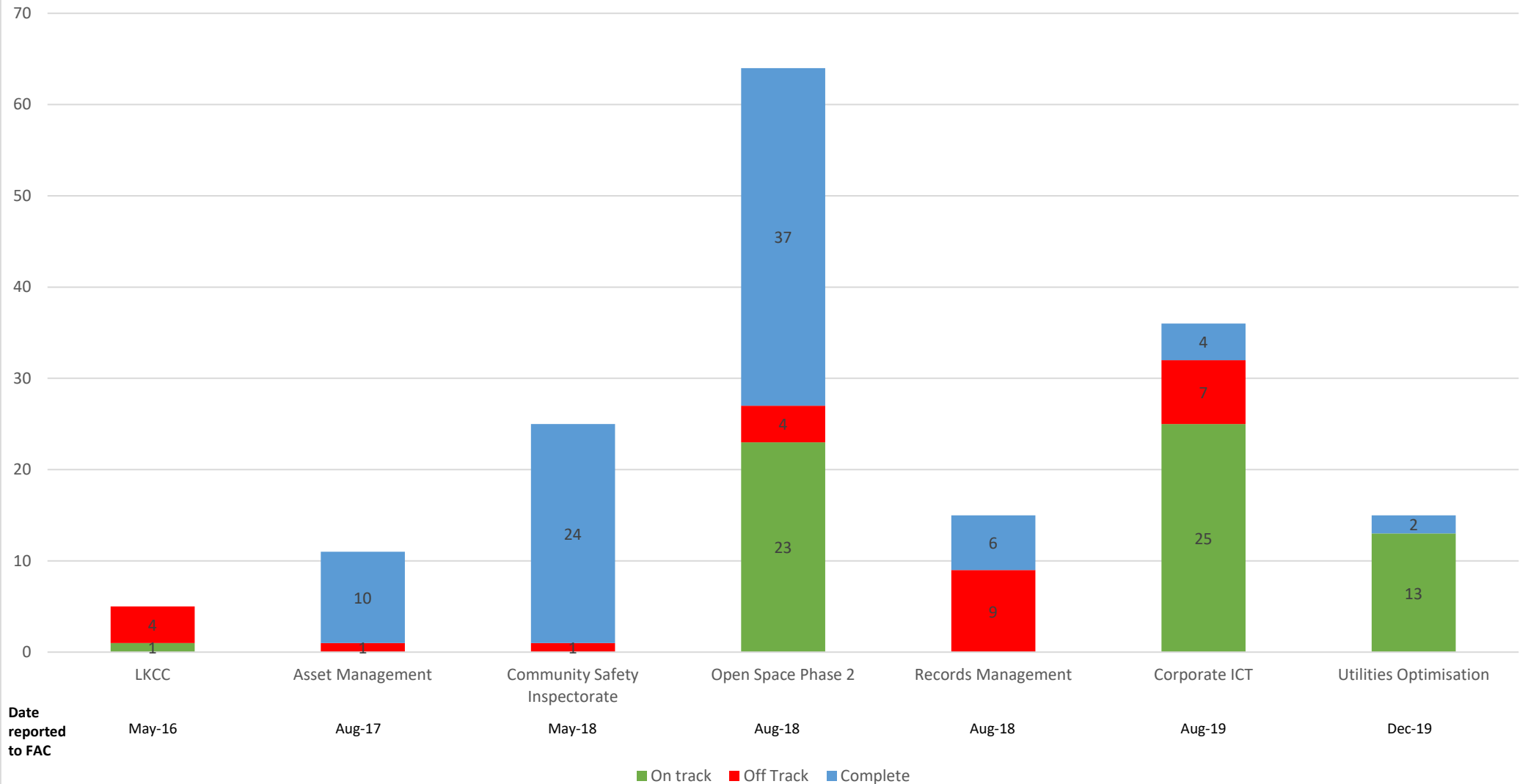
## Attachment

#	Attachment	Type
1	Appendix 1 - FAC200225 - Service Review Program and Recommendations - Progress Update	PDF File

## All Open Service Review Recommendations - Progress Update (Appendix 1)

(Status as at 3/2/2020 based on tracking against original completion dates)

Implementation of all SR Recommendations  
Status by Actions of Open SRs



## APPENDIX 1

## Key

- Complete    ● Watch Closely  
● On Track    ● Off Track

Division	Department	Service Review	Date Reported to FAC	Original Full Implementation Date	# of Recommendations	# of Actions	# On Track Actions	# Off Track Actions	# Actions Complete	% of Actions Complete	Comments
City Development	City Activation	Living Kurna Cultural Centre	May-16	Dec-17, Dec-21	5	5	1	4	-	0%	A progress report was presented to Council in January 2020 noting that while Warriparinga Development Group have met monthly since July 2019, a preferred model for management had yet to be reached. A resolution was moved at Council to request that Kurna Yerta Aboriginal Corporation (KYAC) provide Council with a proposal for its preferred model by end of May 2020. If no proposal is received, Council will commence an Expression of Interest (EOI) process noting that KYAC will be able to submit an EOI whether or not they make a submission to Council before the due date.
	Innovation and Strategy	Asset Management	Aug-17	Jun-18	4	11	-	1	10	91%	Overdue recommendation to <i>define service levels</i> has a specific project scheduled to commence 01/02/2020 and end 30/11/2020 - dependent on the outcomes of other Asset Management Improvement Plan program outcomes due for completion by 30/6/20. Project dates are aligned to the revision of the 9 Asset Management Plans by 30/11/20 and require extensive engagement with Asset Owners and Subject Matter Experts.
	Development and Regulatory Services	Community Safety Inspectorate	May-18	Jul-19	7	25	-	1	24	96%	The ICT department have arranged licensing for App. Once App is finalised and functional, the iPads will be distributed to staff.
Division Total					16	41	1	6	34	83%	

## APPENDIX 1

Key  
 ● Complete ● Watch Closely  
 ● On Track ● Off Track

Division	Department	Service Review	Date Reported to FAC	Original Full Implementation Date	# of Recommendations	# of Actions	# On Track Actions	# Off Track Actions	# Actions Complete	% of Actions Complete	Comments
City Services	Engineering and Field Services	Open Space Phase 2	Aug-18	Jun-22	20	64	23	4	37	58%	Work will be undertaken over the next 2-3 months on the watering, planting and IPOS Programs and it is anticipated the actions related to these areas will be completed by the end of April 2020.
Division Total					20	64	23	4	37	58%	
Corporate Services	Corporate Governance	Records Management	Aug-18	Dec-19	15	15	-	9	6	40%	Highlights of progress include: - Preparation and involvement relating to Office 365 and Digital Literacy initiatives in progress. - Strategic Records Management Framework draft has been submitted for review. - Records Management Team 2 year business plan draft has been submitted for review. - Records Management training program currently being developed.
	ICT	Corporate ICT	Aug-19	June-21	15	36	25	7	4	11%	Highlights of progress include: - Completion of formalising the helpdesk implementation as a Cross Council project for the Cities of Port Adelaide Enfield (PAE) and Charles Sturt (CCS) leveraging the work that Marion has done to date. - Significant progress with developing and implementing ICT decision making, project delivery and ICT role and responsibility frameworks. - Significant progress with utilising CCS capability to undertake Marion and PAE architecture roadmaps.

Division	Department	Service Review	Date Reported to FAC	Original Full Implementation Date	# of Recommendations	# of Actions	# On Track Actions	# Off Track Actions	# Actions Complete	% of Actions Complete	Comments
Corporate Services	Strategic Procurement	Utilities Optimisation	Dec-19	Feb-23	10	15	13	-	2	13%	<p>The decision has been made and approved across the three Councils (Marion, CCS and PAE) to:</p> <ul style="list-style-type: none"> <li>- Manage the function from within the Shared Procurement team.</li> <li>- Employ the new roles out of the City of Marion as Cross Council resources with the roles to be funded jointly by all three councils initially in proportion to the value of the utility bill portfolio managed on behalf of each council.</li> </ul> <p>Recruitment commenced for both roles (Lead and Analyst) in late September 2019. Attracting good candidates has proven difficult with a number of approaches to market made. Second interviews are underway for the Utilities Optimisation Lead with no suitable candidates for the Utilities Analyst to date. The role and classification will be reviewed.</p>
Division Total					40	66	38	16	12	18%	

\*\*\*A Service Review is considered Off Track when an action has not been completed by the original completion date

**Completed Service Reviews (Fully Implemented)**  
**(March 2016 – February 2020)**

Department	Service Review	Date Reported to FAC	Original Complete Date	Actual Complete Date
Community Connections	Libraries	28-Feb-2017	31-Mar-2017	10-Oct-2017
Human Resources	Recruitment	15-Dec-2016	31-Dec-2017	29-May-2018
City Property	Marion Outdoor Swim Centre	15-Dec-2016	31-Oct-2017	02-Oct-2018
Corporate Governance	Council Reporting and EM Support	15-Dec-2016	31-Aug-2017	02-Oct-2018
Engineering and Field Services	Management of Recycling Depot and Stores	30-May-2017	29-Dec-2017	02-Oct-2018
Finance and Contracts	Public Place Litter	12-Dec-2017	30-Jun-2018	02-Oct-2018
Engineering and Field Services	Drainage	30-May-2017	30-Jun-2018	11-Dec-2018
Engineering and Field Services	Roads	15-Aug-2017	29-Jun-2018	11-Dec-2018
Engineering and Field Services	Hard Waste and Dumped Rubbish	08-Mar-2016	01-Jul-2019	26-Feb-2019
City Property	Maintenance of Council Facilities	10-Oct-2017	30-Nov-2018	28-May-2019
Community Connections	Marion Celebrates	30-May-2017	30-Mar-2019	28-May-2019
Development and Regulatory Services	Parking Management and Regulation	30-May-2017	31-Dec-2018	28-May-2019
Engineering and Field Services	Open Space Phase 1	12-Dec-2017	30-Jun-2022	28-May-2019
Customer Experience	Customer Service	27-Feb-2018	31-Mar-2020	20-Aug-2019

## Internal Audit Program - Implementation of Recommendations

<b>Originating Officer</b>	Governance Officer - Angela Porter
<b>Corporate Manager</b>	Manager Corporate Governance - Kate McKenzie
<b>General Manager</b>	General Manager Corporate Services - Sorana Dinmore
<b>Report Reference</b>	FAC200225R10

### REPORT OBJECTIVE

To provide the Finance and Audit Committee (FAC) with an update of the status of implementation of recommendations from the 2017-19 Internal Audit program.

### EXECUTIVE SUMMARY

The FAC was provided with a status report at its previous meeting on 10 December 2019 regarding the City of Marion's Internal Audit Program. It was reported that all audits from the previous IA plan had been completed.

The recommendations from these reports continue to be monitored by the FAC. A short summary of the status of recommendations for each audit is provided at **Appendix 1**. The relevant outstanding recommendations and agreed actions for items that have been commented on are included in the summary to give context to the comments made against each project.

### RECOMMENDATION

1. **That the Finance and Audit Committee notes the status of the Internal Audit Program (Appendix 1).**

### Attachment

#	Attachment	Type
1	Implementation of Recommendations - Appendix 1	PDF File



## Overall Summary

Project	Findings	On Track	Overdue	Completed	Not Commenced	General Comments
Capital Works Program 2015/16				Complete (August '19)		
Corporate Performance Reporting 2016/17				Complete (December '19)		
Accounts Receivable 2016/17				Complete (February '19)		
ICT Cyber Security Maturity (2016/17)	6		1	5		There is 1 outstanding recommendation. This item is 90% complete and not on track for current deadline but will be completed before 30 June 2020.
Policy Review (2016/17)				Complete (August '18)		
Property Portfolio Management (2016/17)				Complete (November '19)		
Volunteer Management (2017/18)				Complete (August '18)		
NDIS (2017/18)	1	1				Maintain watching brief
Contractor Management (2017/18)	5		3	2		There are 3 recommendations outstanding. The items are 75% complete and not on track. Completion of one item expected in Q3 and the other two shortly after.
Regulatory Fines and Enforcements (2017/18)				Complete (July '19)		
Development Assessment (Planning) (2017/18)				Complete (June '19)		
Procure to Pay (2018/19)	9			7	2	There are 2 outstanding recommendations. These are Performance Improvement Opportunities and will be captured through the Finance Transformation Project due to begin in April 2020.
Customer Experience	8	3		5		3 items are on track with 1 item pending completion of the Metrics that Matter project. Extension granted with revised due date of June 2020. 5 items have been completed in entirety.
Cyber Security 2019	6	5		1		5 items are on track with some parts completed. 1 part is not on track but is due to be completed Q3. 1 item has been completed in entirety.
Tendering 2019	5		1	4		4 items have been completed, 1 item is 90% complete and not on track with go live expected in February 2020.
BCP and Emergency Management	2	2	2			Both items have commenced and are not on track but due for completion March 2020.

## Cyber Security

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	ACTION START DATE	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
Consider formally defining the requirements for third party cyber security obligations and including related clauses into each significant contract. This should include consideration of data ownership and storage, technical controls, backups, monitoring, notification of security incidents, and any associated security compliance requirements. A “right to audit” clause should also be considered for inclusion in contracts with technical service providers. Existing third party contracts should then be reviewed to determine compliance and any potential concerns moving forward should be renegotiated where possible. Continual due diligence and assurance activities on third parties should be performed to ensure that they adhere to CoM’s minimum requirements.	3.4	This will be further investigated and implemented where necessary	1/05/2017	Original Target Date 31/12/2018 Revised Due Date 30/06/201920	Not on Track	30%	Wording has now been created, meeting to be held with ICT stakeholders to implement into contract terms	Not on Track	90%	A new IT contract draft has been completed that takes into account the Cyber Security elements, as well as a number of IT related provisions that have previously not been included. The contract template will now go through the process to be formally implemented by 30 June 2020.

## Contractor Management

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	ACTION START DATE	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
As part of the next training session for Contract Administrators, time is allocated to update staff on the documentation required to be formally stored and maintained in the SharePoint system.	2.2	As part of the next training session for Contract Administrators, time is allocated to update staff on the documentation required to be formally stored and maintained in the SharePoint system.	29/05/2018	28/02/2019 Revised Due Date 15/04/2020	Not on Track	66%	As part of the overall Procurement Education program, the use of SharePoint will be a key focus point. This will be rolled out in the new year.	Not on Track	75%	Work has been undertaken to create an end to end process for procurement activities, which includes contractor management. Contractor Management actions and tasks will be managed through the Skytrust system and be monitored with follow ups. As part of go live, a roadshow to all contract administrators will be undertaken.
It is recommended that the City of Marion considers introducing a risk-based approach to manage its contractors, so that the level of effort in relation to contract management is matched to the overall contract risk.	3.1	The contract management procedure will be strengthened to provide additional guidance to Contract Administrators to promote a risk-based approach to contract management activities.	29/05/2018	30/09/2018 Revised Due Date 28/02/2020	Not on Track	66%	Spot audits to commence in December to review Contract Management activities. This will also form part of the education program.	Not on Track	75%	Risk assessments now undertaken as part of the pre tender process (following pilot of the Tender Initiation Form), evidence to be saved in the appropriate SharePoint folder. The risk assessment will flow onto to the approach to contractor management, with Skytrust as the tool to track this.
It is recommended that the CoM investigates alternative options to the existing Excel 'preferred contractor register' to assess the potential for benefits of transitioning to an alternative corporate wide IT system. The potential benefits associated with this recommendation would be: * Provide improved organisational wide visibility of the contracts	4.1	Management will assess alternatives to the existing excel preferred contractor register and validate whether potential benefits could be realised. The outcome of this assessment will determine what further action is required. In addition, the current	29/05/2018	30/06/2019 Revised Due Date 31/03/2020	Not on Track	50%	Discussions have commenced to implement an interim, Excel based (and user friendly) register. This will be implemented in Q3.	Not on Track	75%	An updated excel register draft has now been completed that illustrates the City of Marion preferred suppliers, existing Council Solutions preferred supplier and LGA preferred suppliers. In addition to the register, the implementation of Vendor Panel is in

registers (on a relevant user access basis).		contract management process will be enhanced by; 2. Advice being provided to key internal stakeholders of pending existing contracts (implement by 30 June 2018). 3. Introducing tender panels of preferred suppliers for services including general repairs and maintenance, painting, plumbing and electrical (implement by 30 September 2018).								progress to ensure the use of our suppliers is undertaken through this system to ensure transparency, maintain probity and result in an overall more efficient process. This will be fully implemented by 31/3/2020.
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## Procure to pay

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	ACTION START DATE	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
It is recommended that the CoM perform a business process review to investigate the transition to an online procure to pay system which would help to reduce the need for manual invoice approval processing. This process should include benchmarking of the procure-to-pay cycle times and the average cost of processing per invoice against other Government agencies.	0	The CoM will investigate on-line invoice approval options that exist with Civica to reduce the level of manual processing that currently exists.  The CoM will also investigate the software options available and implementation costs for automatic invoice validation.		31/12/2019	Not Commenced	0%	Awaiting outcomes of Business Fitness Systems Review	Not Commenced	0%	We have now embarked on a finance transformation journey which is looking at our systems and processes in detail. This work is commencing in April 2020 and as part of that work process efficiencies and system automation is being identified and considered as part of future finance system

									implementation. These items will be considered as part of this project.	
It is further noted that a number of other Councils in South Australia have transitioned the invoice validation process to a third-party vendor. These services include the use of machine learning technologies to match purchase orders to invoice payments and contract, and automating invoice approvals within a defined set of business rules. It is recommended that this option is also considered as part of the business process review.	0	as above		31/12/2019	Not Commenced	0%	Awaiting outcomes of Business Fitness Systems Review	Not Commenced	0%	As above

## Customer Experience

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	ACTION START DATE	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
<p>Internal Audit recommends that the CoM undertake a review of KPI's on a departmental basis to ensure that they reflect:</p> <ul style="list-style-type: none"> <li>- customer expectations</li> <li>- where it is not possible to meet customer expectations, understand why this is not possible and have clearer communication in place to bridge the gap with customer expectations.</li> </ul> <p>Any delays in meeting customer expectations should be accompanied by timely communication with the customer of the status of remedial actions, in order to mitigate potential dissatisfaction. This communication requirement should be reflected in the CoM customer experience procedures (see the recommendation in Finding 4). In order to gain an understanding of customer expectations the CoM may:</p> <ul style="list-style-type: none"> <li>- undertake a survey or focus groups of customer satisfaction with the current KPI's</li> <li>- compare reviewed KPI time frames with other councils or similar service organisations to determine what better practice is expected by customers.</li> </ul>	1.3	3. Implement changes to the KPI's as identified in step 2 above.		31/12/2019	On Track	60%	We are implementing changes to KPI's with the data that we have.	Completed	100%	CoM is undertaking a RFP for a new Customer Relationship Management System. With the Customer Satisfaction scores that we have received we have Customer Experience Plans in place with relevant areas. We will continue with what we have (CSAT and ongoing review of service standards) until the CRM is fully implemented and then we will move to CRM CSAT and continue to evolve this within the strategy. This action is complete within current systems and process.

<p>The CoM should investigate whether standardised templates can be designed in the CES to suit departmental reporting in relation to customer experience. However, given the CES is not user friendly, it is also recommended that the CoM investigate the possible use of a CRM system that may be better support the reporting requirements (see the recommendation in Finding 3).</p> <p>The CoM should also implement regular reporting for each department in relation to customer experience and the management of their KPI's.</p> <p>In the interim, it is recommended that the CoM provide training to staff in relation to key reports they would like to extract from CES, and how to access key information in CES. This could be supported by user guides.</p>	2.3	<p>Long-term:</p> <p>Once the CoM have implemented the 'Metrics that Matter' project, management will develop a corporate report for the ELT that includes the monitoring of customer events. This report will cascade to SLT and the wider leadership team for ongoing management of customer events.</p> <p>(The completion of this action 3 is reliant on the delivery of 'Metrics that Matter' (business intelligence reporting) project, which will give the CoM the reporting capability to monitor customer events more simply. The interim report within action 2 is manual and will be replaced with the new system.)</p>		<p>31/12/2019</p> <p>Revised Due Date 31/12/2020</p>	On Track	30%	<p>The Metrics that Matter project has not yet completed. This action is reliant on this project completing. This will not be met by due date, and will need to be extended by 12 months.</p>	<p>On Track</p> <p>30%</p>	<p>The Metrics that Matter project has not yet completed. This action is reliant on this project completing and the CRM implementation above. This will not be met by due date, and will need to be extended by 12 months.</p>
<p>It is recommended that the CoM create formalised procedures in relation to customer experience. To create these procedures the CoM may perform customer journey maps (i.e. looking at the journey of the customer with a department of the CoM such as dealing with Development applications from the customers' point of view). Any customer journey maps created by the CoM should identify:</p> <ul style="list-style-type: none"> <li>•any pain points for the customer</li> <li>•areas which are taking too long for the customer</li> <li>•any other relevant issues faced by the customer.</li> </ul> <p>The CoM should then look to change or</p>	4.1	<p>Develop a 'Customer Journey Mapping' toolkit for the CoM to be able to use, linked to the Innovation Learning Lab training that staff have recently completed. Management will then map the top ten customer event type customer journeys across the CoM, developing procedures with the findings. As part of this project, the CoM will develop 'Customer Journey</p>		31/12/2019	On Track	30%	<p>The framework of the toolkit will be delivered. We will have the tools in place by the end of the year.</p>	<p>Completed</p> <p>100%</p>	<p>We have developed a Customer Journey Mapping tool for the organisation as per the action. We are currently developing CoM customer personas to drive the future state processes with the upcoming CRM implementation.</p> <p>We have run Customer Journey</p>



remove the pain points in order to create a better customer experience.		Mapping' champions across the departments to develop continuous improvement opportunities.							map over Hard rubbish collection and Special Event Permit and have the tools now to continue to use as BAU. These will be used where appropriate with CRM implementation.	
It is recommended that the CoM undertake a review of those departments that are failing to meet KPIs in relation to meeting customer event targets and review if resourcing is a contributing factor to the delays. As part of the review, the departments should ensure that resources are being used efficiently and effectively to meet KPIs across the department and organisation.	5.1	Once the actions for Findings F1 and F2 are delivered Management will complete a review of resources within departments, making recommendations to allocate existing resources to meet customer demand.  Where efficiencies are identified and savings made across departments, Management will recommend reallocation of resources to the Customer Experience team to continue to deliver Customer Experience Plan.		31/03/2020	Not Commenced			On Track	50%	We have built a report to understand which customer events are not being closed on time. We will now work with relevant business units as per action. Note - when we implement a CRM every single event type will be reviewed when developing future state processes.

<p>It is recommended that the CoM provide customer facing employees with: •customer experience training as part of initial onboarding •customer experience refresher training on an annual basis. It is also recommended that the CoM tailor their refresher customer experience training for current staff to be relevant to the customers they deal with. For example, the CoM could create customer personas which detail what is relevant to each customer group, as different things are important to customers depending on their needs and expectations. This information could also be obtained from a CRM.</p>	PIO2.1	<p>Management will investigate Customer Experience training to focus on language skills for a positive first response, including: •How to handle aggressive customers •How to 'wrap up' an interaction. Management will include formal customer experience training within the induction process (as outlined in PIO 1). Training/(s) identified will be added to the training matrices by 31 December 2019, for implementation (as a refresher course) by 30 June 2020.</p>	31/12/2019	On Track	70%	<p>Our Customer Experience Business Partner is currently rolling out the final action in group coaching sessions. She is focusing on</p> <ul style="list-style-type: none"> <li>- Call Control</li> <li>- How to close a call</li> <li>- Customer Service basics</li> </ul>	Completed	100%	<p>CoM Customer Experience Business Partner has commenced and has developed coaching material for</p> <ul style="list-style-type: none"> <li>- Call Control</li> <li>- How to Close a Call</li> <li>- Customer Service Basics</li> </ul> <p>The Customer Service basics focuses on putting customer before process, and all training is aligned to 5 key capabilities which are WE CAN, acronym standing for willingness, empathy, confidence, appearance and needs</p> <p>This has been rolled out within departments based on need and being tracked through training manager</p>
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It is recommended the CoM look to provide copies of the Complaints and Grievance Policy in the manner specified in section 4.5 of ISO 10002 2018 within the Customer Service Centre. The CoM should also look to provide copies of the policy online in other languages (the languages selected could be modelled on customer data if a CRM is developed). Additional internal communications should be provided to advise the organisation of the centralised complaints function that is available and explanation of how this fits into the CoM's overall Complaints and Grievance policies and procedures.

PIO3.1

This performance improvement opportunity will be investigated further and implemented based on available budget.

31/12/2019

On Track

25%

Have sought various volunteers to undertake this work and will be completed early in the new year.

## Cyber Security 2019

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	ACTION START DATE	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
Formally define, agree and communicate the overall Executive level accountability for cyber security within the organisation (e.g. Chief Executive), with responsibility assigned to the Manager ICT. Additionally, position descriptions and associated key performance indicators should be updated and defined as appropriate for those roles accountable and responsible.	1.1	Engage HR to develop Management position descriptions as per recommendation and develop communication plan.		31/03/2020	On Track	30%	Meeting has been scheduled with Service Delivery and Infrastructure, Unit Manager ICT to review wording for inclusion.	On Track	40%	ICT are in the process of determining the required accountability, which is to be provided to HR who will then update the executive leadership PD's accordingly (this was originally going to align with the Performance Development Process, but as we are exploring a new system, the PD's will be reviewed and updated outside of this process).
Fully implement and embed the Cyber Security Assurance Framework and Cyber Security Operating Manual into IT and across the organisation and develop processes to ensure that they are followed. Furthermore, while there is intent and commitment for the CoM to align to the requirements of the ISO 27001:2013 standard, it is recommended that the CoM only implements those elements relevant and necessary to adequately manage cyber security risks in line with the nature and size of the organisation. It	1.2	Implement and embed a change management plan for cyber security awareness and continue to align where appropriate to ISO27001:2013.		30/06/2020	On Track	51%	Learning & Development awaiting further progress from vendor Kineo to resolve product issues. No other progress this month.	Completed	100%	Monthly Cyber Security Assurance group meetings are held to monitor progress of the program and its alignment to ISO27001. These meetings are used as a vehicle to mitigate new and ongoing vulnerabilities identified through the program.

may also be appropriate for the CoM to use relevant aspects of other cyber security industry standards, such as NIST, in conjunction with ISO 27001.										
As part of implementing and embedding the Cyber Security Assurance Framework and Cyber Security Operating Manual, confirm that the relevant policies, procedures and guidelines are documented (in a consistent format, using consistent versioning), communicated and made available to all relevant staff.	1.3	Work to update documents into a consistent CoM format.		30/06/2020	On Track	50%	Started updates to Operating Manual	Completed	100%	Operating Manual and Framework have been revised to latest CoM document format. These are now published within the ICT Information Security and Audit Function within CoM Connect.
2. The CoM last conducted a staff phishing exercise in 2017/18 and the last physical social engineering exercise was in March 2018. It is expected that these types of live assessments would be conducted on an annual basis.	PIO2.2			30/06/2020	On Track	20%	Scoping the requirements to including this as a standing item in the Cyber Security program to seek budget.			This item is due to be completed April 2020.
Whilst it is noted that staff are tested at the end of each module within the current online security training, the CoM should also consider adding a few questions on cyber security to the existing Pulse survey to measure the strength of understanding and awareness of cyber security across the organisation. The output from this can then be used to tailor and further refine the current cyber security awareness program.	2.1	Review Pulse Survey appropriateness for cyber security questions, further develop security awareness program questions.		31/03/2020	On Track	15%	Some aspects tested in Kineo...awaiting product issue.	On Track	40%	Kineo product also not the best tool for monitoring awareness. Cyber Security Survey questionnaire being drafted for release to the org. for end of March. (possibly via Survey Monkey etc)

Conducting more regular phishing assessments of staff (e.g. annually) so that staff are provided more training and awareness opportunities and to assist in uplifting employee focus on cyber security as part of performing their day-to-day activities.	2.2	Review effectiveness of cyber security awareness program with the view to adjust frequency of phishing scans as required.		30/06/2020	On Track	15%	Phishing exercises to be carried out annually. Budget to be approved. X-Council program to be considered, meeting early Dec to discuss.	On Track	30%	Phishing exercise scheduled to be carried out in April 2020
3. A formal cyber risk assessment has not been performed over all critical assets across the business, including both tangible and intangible assets.	PIO3.3 (2017)			30/06/2020	On Track		Meeting set up with ICT to undertake the risk assessment			
The following have been identified as areas for improvement in 2019 to increase the CoM's cyber security maturity relating to the Information Risk Management: 1. Whilst cyber security obligations have been identified and provided to Procurement for consideration in third party agreements, this has not been formalised or endorsed. It is also noted that the onus is still currently on the individual department engaging with the third-party vendor to ensure that appropriate due diligence has been performed prior to formally engaging the third party.	PIO3.1 (2019)				Nil	Nil	Nil	On Track		Meeting set up with ICT & Procurement to develop a process
CoM currently records their technical IT risks in two separate registers within SharePoint, a vulnerabilities register and an ICT risk register. However, there is no visibility of this corporately and no centralised, consistent and	PIO3.3 (2019)				On Track	50%	ICT have further developed the ICT Vulnerabilities Register in CoMConnect to roll up significant ICT and Business Risks to the Corporate Risk Register			

proactive process for cyber and IT related risks and vulnerabilities, to be reported to Executive, so that it can be tracked and managed centrally.							making the ICT Risk register redundant. Risk to confirm this is acceptable given appropriate parties (Risk, ICTSC etc) can view the items..			
<p>The following should be considered as recommendations for increasing maturity in the Information Risk Management domain, particularly when implementing, operationalising and embedding the Cyber Security Assurance Framework and Cyber Security Operating Manual:</p> <p>1. Clearly define and communicate the requirements for sharing of information both internally and externally. Consideration should be also given to implementing controls for removable and portable media control as part of a data loss prevention strategy, such as storage, handling, whitelisting allowed USB devices, encryption and destruction.</p>	3.1	Implement a Data Governance Framework to classify CoM's information and define appropriate resources to manage this function to communicate requirement for information sharing.		31/03/2020	On Track	10%	No further update at this point. Currently reviewing the Data Governance Framework.			
3. Perform a formal risk assessment over tangible and intangible critical assets to ensure that all cyber security related risks are appropriately tracked, managed and mitigated, where possible. Ensure that risks are captured in a formal register.	3.3	Review and include ICT assets in risk assessment process.		30/06/2020	On Track	70%	UM Risk has met with CQR to review the vulnerabilities register and the processes to roll up to the Corporate Risk Register. The ICT Vulnerabilities Procedure is being reviewed by Risk and will be cross-referenced in the	On Track	90%	The ICT Vulnerabilities Procedure has been incorporated into the Risk Framework review due to be submitted to Council on 24 Feb 2020.



							Risk Policy/Framework Review.			
4. Formalise and have the Executive Leadership Team endorse the cyber security obligations to be included in all third-party contracts. Existing third-party contracts should then be reviewed to determine compliance and any potential concerns moving forward should be renegotiated where possible. Continual due diligence and assurance activities on third parties should be performed to ensure that they adhere to the CoM's minimum requirements.	3.4	Contracts to include cyber security clauses into standard contracts.		31/12/2019	On Track	25%	The relevant wording has been created, will need to meet with key ICT stakeholders to implement. Will be completed Q2 2020	Not on Track	90%	A new IT contract draft has been completed that takes into account the Cyber Security elements, as well as a number of IT related provisions that have previously not been included. The contract template will now go through the process to be formally implemented by 30 June 2020.
4. Formalise the IT risk register and the vulnerabilities register process so that IT and cyber risks are translated into business impact and raised up to the CoM strategic risk register. In addition, a centralised IT and vulnerabilities register should be implemented to capture known risks, issues and exceptions that can be tracked and monitored.	3.5	Work with Risk Department to implement process for ICT risks to roll up to corporate risk register.		31/12/2019	On Track	70%	UM Risk has met with CQR to review the vulnerabilities register and the processes to roll up to the Corporate Risk Register. The ICT Vulnerabilities Procedure is being reviewed by Risk and will be cross-referenced in the Risk Policy/Framework Review.	Completed	100%	ICT Vulnerability Procedure has been completed with a process to roll up to the Corporate Risk Register.
1.Ensure that defined recovery objectives have been communicate and validated with IT to ensure that these are achievable.	4.1	1.Review validity of departmental recovery objectives and in conjunction with Risk Department run BCP workshops where recovery objectives are unrealistic or unachievable.		30/06/2020	On Track	25%	A BIA scope has been developed, a session booked with ELT and key SLT with KPMG booked to deliver the program	On Track	60%	The BIA Workshops at an SLT level have been undertake this week with the ELT validation session booked in the last week of February. The processes will be finalised by the end of March.

Based on the size and nature of the CoM business and the supporting IT environment, and the role which CQR provides to the CoM for supporting technical cyber security elements, we have not provided any further specific recommendations to improve current maturity in this domain. However, we would encourage Management to continue to invest as appropriate in technology solutions as changes are considered and made throughout the organisation and to the IT environment, and as the external cyber landscape changes.	5.1	Continue to invest in Cyber Security program and appropriate technology.	Ongoing	On Track	60%	X-Council program meeting in Dec to submit Budget bids for all councils.	On Track	75%	X-Council Budgets submitted. Consideration for a X-Council Security role to be determined.
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## Tendering 2019

RECOMMENDATION		AGREED MANAGEMENT ACTION	ACTION START DATE	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
We recommend the CoM Contracts team create a page on Combi (CoM Intranet) with reference point for all tender related documentation. We also recommend the CoM develop a quick reference guide summarising the overall tender process, including evaluation processes and key responsibilities of the TET. This guide could be maintained on the contracts section of SharePoint and provided to TET Members when they are appointed as part of the TET. We recommend the tender quick reference guide includes the following: • High level summary of the CoM’s tendering requirements • Standard timelines for the tender process • TET roles and responsibilities (e.g. declare any conflicts of interest before being part of the TET and read all tender responses before the tender assessment) • Links to the CoM’s Tender Evaluation Procedure, Procurement and Contractor Management Policy, Procurement Procedure, Contract Management Procedure, Conflict of Interest and Confidentiality Agreement and the Code of Conduct for Employees.	PIO1	Management will be creating quick reference guides as part of the process improvements currently being considered.	28/05/2019	31/12/2019	Not commenced	0	Will form part of the education pack to be created in Q3.	Not on Track	90%	The Tender Initiation Form (online form) will go live in mid-February, following a pilot phase. This form will assist requestor's by detailing the details required for the tendering process. Additionally, the procurement team will be highlighting the TET requirements in the introductory email to members, with evidence stored in SharePoint. The implementation of these two initiatives will remove the requirement for Quick Reference Guides, by ensuring the procedures are the supporting elements to the forms

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<p>Internal Audit recommends that the CoM:</p> <ul style="list-style-type: none"> <li>Undertakes a formal holistic BIA to identify and document its critical business processes.</li> <li>Applies a risk rating to each critical business process identified during the BIA, which is used to prioritise business process recovery and determine where further business continuity and recovery plans or strategies may be required.</li> <li>Reviews existing emergency, crisis and business continuity plans to identify whether any additions, changes or updates are required based on the outcomes of the BIA.</li> </ul>	Agree with recommendations and will undertake a business impact assessment.	28/05/2019	1/09/2019 Revised due date 31/03/2020	On track	20%	3/12 The BIA has been scoped and provided to KPMG who have provided a quote however we are currently working through their quote to ensure the proposed work aligns to need. To finalise this work, an extension has been granted until March 2020.	Not on Track	60%	The BIA Workshops at an SLT level have been undertake this week with the ELT validation session booked in the last week of February. The processes will be finalised by the end of March 2020.
Internal Audit recommends that the CoM adopts a documentation structure similar to that detailed in Appendix 1.	The documentation hierarchy and structure can be reviewed as part of the BC Framework and Policy Review.	28/05/2019	1/10/2019 Revised due date 31/03/2020	On track	75%	Relevant team member has drafted the revised framework which will be finalised in alignment with the BIA outcomes. To finalise this work, an extension has been granted until March 2020.	Not on Track	90%	The draft has been incorporated into the BIA workshops with ELT & SLT and will be finalised as part of the SLT validation.

**WORKSHOP / PRESENTATION ITEMS - Nil**

**OTHER BUSINESS**

**MEETING CLOSURE**